

Housing Need and Demand Assessment Guidance

Scottish Government

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CHAPTER 1

Housing need and demand assessments

Introduction

This document is the Scottish Government's guidance on housing need and demand assessment and replaces all previous guidance on this topic. It is substantially based on guidance published by the Welsh Assembly and Communities and Local Government^{1 2}.

This guidance sets out the framework that local authorities should follow to develop a good understanding of how housing markets operate. It identifies the approach to assessing housing need and demand which should inform the development of local housing strategies and development plans, as set out in forthcoming local housing strategy guidance and Scottish Planning Policy 3: Planning for Housing, Consultative Draft³(SPP3).

SPP3 Consultative Draft describes a process whereby the preparation of housing need and demand assessments, local housing strategies and development plans are complementary work streams which should be aligned to achieve more effectively the aim of delivering new homes of the right type and tenure in the right places.

The housing need and demand assessment will provide the evidence base upon which housing supply targets are defined in local housing strategies and suitable available land is allocated through development plans to meet these targets.

While it is recognised that the projections and forecasts on which assessments are based become less certain the further into the future they are considered, the housing need and demand assessment process should assess future housing need and demand over a period of up to 15 years in order to allow development plans to establish the housing land requirement for a period of at least 11 years beyond the predicted date of the approval of the plan. A regular, five-yearly review of the assessment linked to the review of the local housing strategy and the development plan will provide an opportunity to ensure the maintenance of an appropriate long term approach which can take account of changes in circumstances.

This Chapter sets out the rationale behind housing need and demand assessments. It goes on to explain how, from a housing and planning policy perspective, local authorities should ensure that assessments are robust and credible.

¹ Local Housing Market Assessment Guide, Welsh Assembly Government, 2006

² Strategic Housing Market Assessments: Practice Guidance, Communities and Local Government, 2007

³ SPP3: Planning for Housing, Consultative Draft, Scottish Government, 2008

This guidance will help local authorities and their partners develop a shared evidence base to inform the decisions about the policies required in housing strategies and the development of spatial housing policies. Housing delivery and strategy needs to be responsive to changes in the levels of housing need and demand whilst having regard to the public resources available for housing and other competing areas for investment.

The value of housing need and demand assessments is in assisting policy development, decision-making and resource-allocation processes by:

- enabling local authorities to develop long-term strategic views of housing need and demand to inform local housing strategies and development plans;
- enabling local authorities to think spatially about the nature and influence of the housing markets in respect to their local area;
- providing robust evidence to inform policies aimed at providing the right mix of housing across the whole housing market - both market and affordable housing;
- providing evidence to inform policies about the level of affordable housing required, including the need for different types and sizes of affordable housing;
- supporting local authorities to develop a strategic approach to housing through consideration of housing need and demand in **all** housing sectors – owner occupied, private rented and affordable – and assessment of the key drivers and relationships within the housing market;
- drawing together the bulk of the evidence required for local authorities to appraise strategic housing options including housing supply targets, social housing allocation priorities, the role of intermediate housing products⁴, stock renewal, conversion, demolition and transfer; and
- ensuring the most appropriate and cost-effective use of public funds.

Housing need refers to households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some assistance⁵. Housing demand is the quantity and type/quality of housing which households wish to buy or rent and are able to afford. Housing market areas are geographical areas which are relatively self-contained in terms of housing demand, i.e. a large

⁴ Intermediate housing products are available at a cost below full market value to meet an identified need and include: subsidised low cost housing for sale (discounted, shared ownership or shared equity); low cost housing without subsidy (entry-level housing for sale); and mid market renting.

⁵ To ensure clarity for technical assessment, the definition of housing need is expanded upon in Chapter 6: Estimate of Net Annual Housing Need.

percentage of people moving house or settling in the area will have sought a dwelling only in that area.

Aims

The key aims of this guidance are:

- to provide clear and concise advice for practitioners on how to assess housing need and demand in their areas; and
- to enable local authorities and partners to gain a good appreciation of the characteristics of housing market areas and how they function.

The guidance:

- encourages local authorities to assess housing need and demand in terms of housing market areas. This could involve working with other local authorities in a housing market area, through a housing market partnership (see Chapter 2 for more details);
- encourages neighbouring partnerships to liaise to consider wider regional issues;
- sets out a framework for assessment that is relevant at the regional and local level;
- provides a step by step approach to assessing the housing market, housing demand and need;
- focuses upon what local authorities should do as a minimum to produce a robust and credible assessment, and explains how local authorities can develop their approach;
- sets out an approach which promotes the use of secondary data where appropriate and feasible, and where expertise and resources allow and identifies key data sources at each step of the assessment; and
- considers how local authorities can understand the requirements of specific groups such as families, older people and disabled people. The requirements of Gypsies and Travellers should be considered alongside the other household groups identified here. Guidance is available on assessing accommodation needs of Gypsy and Traveller communities⁶.

⁶ *Gypsy and Traveller Accommodation Needs Assessments*: London: Communities and Local Government, 2007 (available at: <http://www.communities.gov.uk/publications/housing/accommodationassessments>).

This replaces the previous Guidance Notes on Site Provision for Travelling People, Advisory Committee on Scotland's Travelling People, 1997.

Robust and credible assessments

Housing markets are dynamic and complex. Because of this, housing need and demand assessments will not provide definitive estimates of housing need, demand and market conditions. However, they can provide valuable insights into how housing markets operate both now and in the future. They should provide a 'fit for purpose' basis upon which to develop housing and planning policies by considering the characteristics of the housing market, how key factors work together and the probable scale of change in future housing need and demand.

Housing need and demand assessments are a crucial aspect of the evidence base in terms of preparing local housing strategies and development plans. From a planning perspective, SPP3 Consultative Draft and related guidance⁷ emphasise the importance of policies being founded on a thorough understanding of the requirements of areas and the opportunities and constraints that exist. They explain that at the earliest stage of preparing development plans, local planning authorities should gather evidence about their areas, including an understanding of the housing required in their communities.

A robust and credible evidence base is identified by SPP3 Consultative Draft as being necessary for a plan to be sound. A housing need and demand assessment should be considered robust and credible if, as a minimum, it provides all of the core outputs, meets all the requirements of the process criteria in the checklists below and has made reasonable assumptions based on the information available, which will be confirmed by the Scottish Government. **In such circumstances, the approach used will not be considered at examination. Any discussion at examination will focus upon the proposed spatial policies for housing set out in the draft submission development plan document and their relationship with the findings of the housing need and demand assessment.**

⁷ Planning Advice Note 74: Affordable Housing (PAN 74), Scottish Executive Development Department, March 2005

Tables 1.1 and 1.2 set out the core outputs and process checklist to deliver a housing need and demand assessment. Estimates of household numbers derived in outputs 3, 4, 5, 6, 7 and 8 are expected to be expressed as a range rather than a single number.

Table 1.1: Housing need and demand assessment core outputs	
1	Estimates of current dwellings in terms of size, type, condition, tenure, occupancy and location.
2	Analysis of past and current housing market trends, including balance between supply and demand in different housing sectors and price/affordability. Description of key drivers underpinning the housing market.
3	Estimate of total future number of households.
4	Estimate of household groups who have specific housing requirements e.g. families, older people, minority ethnic groups, disabled people, young people, etc.
5	Estimate of current number of households in housing need.
6	Estimate of future households that will require affordable housing.
7	Estimate of future households requiring market housing.
8	Estimate of total future households requiring either affordable or market housing.

Table 1.2: Housing need and demand assessment process checklist	
1	Approach to identifying housing market area(s) is consistent with accepted approaches to identifying housing market areas ⁸ .
2	Housing market conditions are assessed within the context of the housing market area and any component markets contained within it.
3	Involves key stakeholders.
4	Contains a full technical explanation of the methods employed, with any limitations noted.
5	Assumptions, judgements and findings are fully justified and presented in an open and transparent manner, in particular in relation to economic growth, demographic change and migration, income estimates and translation of the assessment of need and demand at housing market area level into housing supply targets.
6	Uses and reports upon effective quality control mechanisms.
7	Explains how the assessments findings have or will be monitored and updated (where appropriate).

⁸Local Housing System Analysis Good Practice Guide, Communities Scotland, 2004 http://www.lhs.communitiesscotland.gov.uk/stellent/groups/public/documents/webpages/cs_006031.pdf sets out a range of accepted approaches to identifying housing market areas.

Content and structure of guidance

This guide consists of a further seven Chapters:

- **chapter 2** explains how to set up the housing market partnership and the assessment project plan;
- **chapter 3** explains how to assess current housing markets, including existing housing demand;
- **chapter 4** describes how to estimate changes in household numbers to assess total future housing demand;
- **chapter 5** sets out how to consider the requirements of specific household groups;
- **chapter 6**; outlines how to assess current and future levels of housing need;
- **chapter 7** sets out the questions partnerships should consider in order to join up the outputs from the preceding chapters; and
- **chapter 8** explains the need to monitor and update assessment findings.

CHAPTER 2

Getting started

Introduction

This Chapter sets out the key tasks required to get started, including identifying functional housing market areas, setting up the housing market partnership, identifying research questions and establishing the methods to be used and data requirements. The boundary of the housing market area should be identified by local authorities working with partners.

Functional housing markets

Generally local housing needs assessments have in the past been based on local authority administrative boundaries. However these boundaries do not generally reflect housing market areas. Assessments should therefore have regard to functional housing market areas, which are defined in SPP3 Consultative Draft as “a geographical area which is relatively self-contained in terms of housing demand i.e. a large percentage of people moving house or settling in the area will have sought a dwelling only in that area”.

In practice, housing market areas can be identified in a number of ways:

- Using predefined boundaries;
- Origin-based and destination-based self-containment;
- Centre to periphery household flows; and
- Using local knowledge

The Scottish Government is not recommending one approach over another, recognising that different approaches are required in different areas. Chapter 4 of the ‘Local Housing System Analysis Good Practice Guide’⁹ provides further guidance on establishing housing market areas in practice and the issues to consider in choosing how to define housing market areas. While it is recognised that housing market areas are not evident across all of Scotland, particularly in some rural areas, this guidance is still relevant and will help partnerships take a strategic view of housing requirements and inform housing land allocations in development plans. In some circumstances, housing market partnerships will need to liaise closely with neighbouring partnerships. When defining housing market areas, partnerships should evidence the process used and assumptions made.

Each housing market area, defined in spatial terms, will be comprised of component markets or neighbourhoods. Partnerships should note the

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http://www.communitiesscotland.gov.uk/stellent/groups/public/documents/webpages/cs_006068.pdf

strategic purpose of this guidance and should seek to identify trends and drivers across the housing market. Whilst the primary aim is to understand the broad housing market area, partnerships will also wish to understand how economic, demographic and stock characteristics relate to each other geographically, thereby forming component markets within the housing market area.

Housing market partnerships

On the basis of identified housing market areas, constituent local authorities are encouraged to set up a housing market partnership and undertake the housing need and demand assessment jointly. Under the leadership of local authorities, the housing market partnership should be a multi-disciplinary team including housing, planning, economic development and regeneration expertise. Where appropriate, partnerships should build upon existing arrangements for joint working. Table 2.1 suggests possible membership organisations.

Table 2.1: housing market partnerships

Core members are likely to include:

- Relevant local authorities - with likely representation from the following services: housing, planning, economic development, regeneration and corporate strategy;

Other organisations with relevant expertise include:

- Registered Social Landlords;
- House builders;
- Solicitors, estate and/or letting agents and private landlords;
- Lenders;
- Rent Registration Service (Scotland);
- Local enterprise networks;
- Community Health Partnerships;
- Community Planning Partnerships; and
- Other local authority teams such as social work, the supporting people and gypsy and traveller teams.

Scottish Government staff will be available to provide advice and support to partnerships.

Where housing market areas are not evident or are contained within a local authority boundary local authorities are still encouraged to form partnerships, which would facilitate close working arrangements between council services, particularly housing and planning, and other key partners.

The responsibilities of partnerships should include:

- sharing and pooling information and intelligence, including relevant contextual material and policy information;
- assisting with the development of a project plan for undertaking the housing need and demand assessment and ensuring its findings are regularly reviewed;
- supporting core members in the analysis and interpretation of housing market intelligence;
- signing off the assessment report and the core outputs; and
- considering the implications of the assessment, including housing supply targets for inclusion in local housing strategies.

The aim should be that housing market partnerships develop sufficient research experience and expertise over time to take full ownership of the assessment and undertake as much of the assessment as is possible themselves. This will help to develop partners' understanding of housing markets as well as building commitment to tackling any problems that are subsequently identified through the assessment.

In some circumstances, it may be necessary to commission consultants to increase the analytical resource or undertake particular specialist aspects (e.g. forecasting and modelling work). Partnerships will wish to ensure that contractors have sufficient understanding and skills (or assistance from other partners) so that the key objectives of the assessment and requirements set out in this guide can be met successfully. Further information about procuring and working with consultants is set out in Annex A.

It will be important to incorporate local knowledge into the assessment process as purely statistical approaches may fail to reflect particular local issues. Partnerships should draw upon Community Planning Partnerships, where appropriate and may wish to use existing local housing strategy consultation mechanisms in order to obtain broader buy-in to the assessment.

Setting the research questions

This guide sets out an assessment framework that can be used to obtain the key evidence required for planning and housing policy development. The key research questions for each stage that can be used are set out in Table 2.2. They are designed to assess a range of issues including:

- the balance between housing supply and demand/need;
- the scale of need and demand for affordable and market housing;
- the extent to which affordability is an issue; and
- the extent to which low demand is an issue.

Partnerships should consider whether they need to supplement this framework with research questions that address particular local or housing market area issues. In so doing, it is important to recognise that the assessment is primarily an analytical examination of current and future housing market conditions rather than a policy appraisal. Policy development and options appraisal are separate activities to housing need and demand assessments but all are key components of the local housing strategy and development plan framework.

Table 2.2: research questions for each stage of the housing need and demand assessment

Chapter	Stage	Research questions
3. The current housing market	3.1 The demographic and economic context	<ul style="list-style-type: none"> • What is the current demographic profile of the area? • What is the current economic profile? • How have these profiles changed over the last ten years?
	3.2 The housing stock	<ul style="list-style-type: none"> • What is the current housing stock profile? • How has the housing stock changed over the last ten years?
	3.3 Market Activity	<ul style="list-style-type: none"> • What do market indicators tell us about current demand, particularly house prices/affordability and how effectively has the market responded to changes in demand? • How has demand changed?
	3.4 Bringing the evidence together	<ul style="list-style-type: none"> • How are market characteristics related to each other geographically? • What do the trends in market characteristics tell us about the key drivers in the market area? • What are the implications in terms of the balance between supply and demand and access to housing? • What are the key issues for future policy/strategy?
4. Future housing market	4.1 Indicators of future demand	<ul style="list-style-type: none"> • How might the total number of households and household structure change in the future? • How might economic factors influence total future demand? • Is affordability likely to worsen or improve?
	4.2 Bringing the evidence together	<ul style="list-style-type: none"> • What are the key issues for future policy/strategy?
5. Housing requirements of specific household groups	5.1 Specific household groups	<ul style="list-style-type: none"> • What are the housing requirements of specific household groups? • How well does the housing market meet these at present? • How are these likely to change?

6. Housing need	6.1 Current housing need	<ul style="list-style-type: none"> • What is the total number of households in housing need currently who cannot afford to meet their own needs in the market and whose needs cannot be met in situ? What are the key characteristics of their unmet need?
	6.2 Future need	<ul style="list-style-type: none"> • How many newly arising households are likely to be in housing need each year?
	6.3 Affordable housing supply	<ul style="list-style-type: none"> • What is the level of existing stock available to meet housing need? • What is the likely level of future annual supply of affordable housing?
	6.4. Bringing the evidence together	<ul style="list-style-type: none"> • What is the total number of households in need (net annual estimate) or estimated range? • What choices do households have within the existing affordable housing stock? • What are the requirements for different sized properties? • How is the private rented sector used to accommodate need? • What are the key issues for future policy/strategy?
7. Joining up across the assessment	7.1 Bringing together the outputs from the preceding stages	<ul style="list-style-type: none"> • How does the estimate of future annual change in the total number of households compare with the partnership's aspirations and views on economic and population growth? • Is there any evidence of imbalance in the housing system and what policy interventions may be needed to correct this? • What options are available for addressing each of the different types of need for the different types of household estimated to be in need? • What is the scope for the private rented sector to assist in meeting identified need and demand? • How does the net annual need figure compare to the estimate of total number of households? • How does the assessment of housing need and demand at housing market area level translate into housing supply targets and housing land allocations at local authority level? • What are the implications for housing supply targets and land allocations if both need and demand is addressed at housing market level?

The questions set out above should form the core of a housing need and demand assessment. However, additional questions may be relevant in providing a secure basis from which to derive policy relevant to a particular housing market area. Examples of supplementary questions which may be relevant include, considering demographic changes such as an increase in older person households, regeneration, economic growth, impact of migrant workers, affordability and understanding rural housing need and demand.

Throughout the guide, there are pointers to where and how these types of questions can be addressed.

As part of this process, it may be useful to review existing policies to determine the key issues, policy aspirations for the area and the role of housing in delivering the spatial vision for the community. A policy review can help to prioritise research questions and highlight any issues of local interest that may not have yet been identified. Some relevant policy documents are set out in Table 2.3.

Table 2.3: key policy documents

- Firm Foundations (Discussion Document)¹⁰;
- National Planning Framework 2 Consultative Draft (Housing Sections)¹¹;
- SPP3 Consultative Draft¹²;
- forthcoming guidance on local housing strategies;
- single outcome agreements;
- development plans;
- local economic strategies;
- local transport strategies;
- Community Plans;
- area based regeneration strategies and initiatives; and
- miscellaneous policy documents and research including local authority corporate plans, best value reports, house condition surveys, social care and health strategies, community safety strategies and energy efficiency strategies.

Use of different methods and data sources

It is important to recognise that no one methodological approach or use of a particular dataset(s) will provide a definitive assessment of housing need and demand and market conditions within a housing market area however that is defined. Nevertheless, it is important that those carrying out housing need and demand assessments accept and follow good practice as this has emerged from past experience. With that in mind, this guidance sets out an assessment framework which highlights the importance of good quality data from various sources. Throughout the guide, there is an assumption that secondary data (i.e. data from local administrative or national data collection exercises rather than specially commissioned surveys or interviews) should be used where appropriate and feasible. Local administrative systems are a potentially rich source of data and can provide greater detail than that provided by central sources. These should be explored. This means that partnerships may not need to undertake large-scale primary data collection exercises such as household surveys to achieve the requirements of this assessment, provided

¹⁰ Firm Foundations: The Future of Housing in Scotland, Scottish Government, 2007
<http://www.scotland.gov.uk/Publications/2007/10/30153156/0>

¹¹ National Planning Framework 2, Consultative Draft, 2008, Scottish Government, 2008
<http://www.scotland.gov.uk/Publications/2008/01/07093039/11>

¹² SPP3: Planning for Housing, Consultative Draft, Scottish Government, 2008
<http://www.scotland.gov.uk/Publications/2008/01/07141036/0>

that they have sufficient information from other sources to estimate housing need and demand.

The advantages of using secondary data are that they:

- encourage consistency of approach between different local authorities and housing market areas;
- reflect actual behaviour and events rather than aspirations;
- are often cheaper to obtain than primary data;
- allow the monitoring of trends, usually on an annual basis;
- can provide a picture of market conditions based upon small areas, which identifies locational differences within housing market areas; and
- are less affected by methodological problems of bias than surveys.

However, there are occasions where primary data could be used. Examples include:

- for key indicators that are not available from secondary sources;
- where local administrative systems are not fit for purpose and local authorities need to undertake an assessment sooner than they can improve or amend those systems; and
- to assess the requirements of specific household groups of local interest.

In addition, survey data can provide evidence about housing aspirations and preferences.

Partnerships are responsible for agreeing the methods and data sources to be used. Partnerships will need to consider which data sources and methods will enable them to derive robust assessments of housing need and demand. There are several issues that partnerships will want to consider when making these decisions:

- methods should be discussed and agreed among the partnership in order that stakeholders who have a key interest can express their views;
- neither secondary nor primary data are of themselves more or less robust. Some indicators, such as house prices, are only available from secondary sources and others, such as the relationship between housing and household characteristics are only available from primary data collection¹³.

¹³ Social surveys are very expensive and can, at best, provide estimates with quite a wide margin of error. Best practice is to base a decision on whether to conduct a local social survey **after** an assessment of the strengths, weaknesses and main messages from secondary sources. In this way, any such survey can be designed to address precise

Other indicators such as household incomes can be obtained from secondary sources or local surveys. Whilst a robust survey can provide more detail than modelled data in terms of incomes, they may not achieve high response rates as those surveyed may be reluctant to answer questions about income;

- a key technique for addressing data limitations is ‘triangulation’. This involves bringing together and contrasting available evidence from different data sources for aspects of the assessment where there is no one definitive source; and
- the method should provide value for money and the resource used should be proportionate to the advantage that better understanding brings. It may be more cost effective to use or improve secondary data sources rather than commission a specialist survey.

The Scottish Government is planning to set up a dedicated resource which will provide specialist advice and support to partnerships on all aspects of housing need and demand assessment, including data provision. The Scottish Government is committed to a programme of improving and developing data sources to help underpin these assessments.

Annex B provides guidance on potential data sources and their uses.

questions to improve estimates or clarify the feasibility of options for addressing specific needs.

CHAPTER 3

The current housing market

Introduction

This Chapter explains how to assess the current situation in housing market areas. The aim is to improve understanding about the drivers underpinning the housing market, the balance between supply and demand in different tenures, and the interaction between demand for market housing and the need for affordable housing.

The assessment of past trends (over a period of ten years or more) and the relationship between different trends should improve understanding of the drivers underpinning housing markets and the reasons for the current position. This requires interpreting a wide range of quantitative data including house prices, demographic factors, labour force structure and the characteristics of the housing stock.

For each of the four stages listed below, this Chapter describes the steps that should be undertaken and recommends data sources/indicators.

Stage 1	The demographic and economic context
Stage 2	The housing stock
Stage 3	Market activity
Stage 4	Bringing the evidence together

The framework sets out the minimum needed to have a good understanding of current housing markets. Much of the data required are held by local authorities and may have been analysed as part of the identification of housing market areas.

Partnerships may wish to undertake more in-depth analysis including the use of commercial information and housing market models to understand key drivers and the interaction between market indicators at different geographical levels down to neighbourhoods. Examples of such models include that developed by Bramley et al¹⁴ for Communities Scotland. The Cambridge Centre for Housing Planning and Research's Dataspring website¹⁵ provides a basic model which aims to assist housing association investment programmes. Partnerships could apply one of these approaches or commission one to address their local situation specifically.

¹⁴ Local housing need and affordability model for Scotland – Update (2005 based), Communities Scotland, November 2006

¹⁵ <http://www.dataspring.org.uk/>

Stage 1: The demographic and economic context

Demographic and economic changes are key drivers that underpin every housing market, influencing both demand and supply. For example, economic trends such as changes in interest rates can influence the operation of housing markets. The relationships between the economy, household composition and housing are interactive and complex. As well as economic and demographic changes influencing demand, the housing market can influence household formation rates and the economy (e.g. reduced household spending, spending of household equity and new housing investment).

The research questions for this stage of the assessment are:

- What is the current demographic profile of the area?
- What is the current economic profile of the area?
- How have these profiles changed over the last ten years?

Partnerships may wish to set more specific questions about particular household groups (e.g. older people, families) or employment sectors (e.g. retail, finance) due to their current or changing impact in the housing market area.

Table 3.1 below sets out examples of data sources that partnerships can draw upon to analyse the economic and demographic context of housing market areas.

Table 3.1: summary of demographic and economic data for each step		
Step	Principal data sources	Data items
1.1 Demography and household types	Census data, General Register Office for Scotland population and net household projections, local authority calculations, Scottish House Condition Survey, Scottish Household Survey, commercial forecasts	Population by sex and age and numbers of households by age and type (e.g. one adult, two adults with children etc.), tenure and headship rates, migration estimates, socio-economic circumstances
1.2 National and local economic policy	HM Treasury, commercial forecasts, local authority economic development departments, local enterprise companies	Interest rate trends, levels of housing benefit, Government funding for regeneration, economic growth rates
1.3 Employment levels and structure	Annual Business Inquiry, Labour Force Survey, Business Register and Employment Survey, Census	Employees in each industrial sector (SIC) and by occupational classification, commuting patterns
1.4 Incomes and earnings	HM Revenue and Customs personal incomes, Annual Survey of Hours and Earnings, commercial datasets	Individual and household income by band, distributions of income by age

Annex B provides further details on data sources mentioned in this guidance. The Scottish Government Statistics webpage¹⁶ and the Scottish Neighbourhood Statistics webpage¹⁷ provide a range of statistics at local authority and/or neighbourhood level. The 'Local Housing System Analysis Good Practice Guide' provides further guidance on the inter-relationship between economic and demographic changes and housing need and demand.

Step 1.1: demography and household types

Rationale

Changes in population and household profiles are key to understanding housing need and demand. Migration is an important factor driving demographic change. The age structure of the population influences migration trends, household formation and housing need. There are important age 'cohort' effects in relation to household representative rates, tenure preference and housing demand as well as vulnerability and the likelihood of housing need. Gender and ethnicity can also have a strong influence on the mix and location of housing need and demand. Different ethnic groups have different age structures, household formation rates, fertility rates, tenure and locational preferences. Female-headed households tend to have lower rates of home ownership and are over represented in older age cohorts.

Data issues

The Census provides the most comprehensive picture of the size of the population in terms of age, gender, ethnicity, marital status and tenure. At the neighbourhood level, Census demographic information can date, particularly where there is a high turnover in the population, major housing development or demolition activity. The General Register Office for Scotland is the main source of inter-Censal population estimates. Mid-year estimates are published annually and population projections are published every two years. Population estimates provide information about the total population by sex and single year age groups for local authority and health board areas; and annual population estimates by sex and five year age groups for each datazone¹⁸.

The General Register Office for Scotland also publishes annual estimates of household numbers for each local authority; annual estimated numbers of occupied and vacant properties in each datazone¹⁹; and every two years, projections of numbers of households by size and type. Other potential sources of population and household projections or forecasts are those produced in-house by local authorities for development planning purposes. In

¹⁶ <http://www.scotland.gov.uk/Topics/Statistics>

¹⁷ <http://www.sns.gov.uk>

¹⁸ Each datazone contains around 200 households.

¹⁹ Supplied by councils to General Register Office for Scotland and derived from Council Tax billing data.

addition, both the Scottish House Condition Survey and Scottish Household Survey cover topics such as household composition, tenure, health, household income and housing costs.

Analysis

Partnerships should examine the proportion of the population of different gender, age cohorts and ethnic groups. Age cohorts typically used are young adults (16-24 years), those in their mid 20s to mid 40s (25-44), mature householders in their late 40s and 50s (45-59) and older people (60+). Ethnic groupings are given in the Census. Household composition is of primary interest. In addition to identifying different types of households, partnerships should consider composition in terms of age relationships with the head of household, ethnicity, religion, gender and economic status. Trends should be plotted over time to identify which household types have grown or declined in each tenure. Where Census data are used, partnerships will be able to look at the geographical distribution of different household types.

Migration is a key component of demographic change and partnerships should attempt to identify recent trends in migration. As part of the annual population estimates for local authority and health board areas the General Register Office for Scotland publishes analyses of estimated components of change, including estimated net migration. Data from Registers of Scotland on house sales includes information on the previous address of purchasers from which an assessment can be made about migration by house buyers. Partnerships should consider the use of the Scottish Household Survey in analysing social trends. This includes living trends and lifestyle choices. The survey provides information on the tenure and household characteristics of households by how long they have lived at their present address. Partnerships should assess the degree to which local changes reflect national trends and consider the consequences for housing supply within the housing market area.

If partnerships require additional local detail they can opt to buy established geo-demographic classifications such as ACORN (CACI classification of residential neighbourhoods using Census data) or MOSAIC (a system that uses electoral roll, housing, financial and Census data to classify lifestyles into 12 lifestyle groups) where resources allow.

Step 1.2: national and local economic policy

Rationale

Government macroeconomic policies and related factors such as interest rates, underlying inflation and trends in national economic growth impact on household finances on the demand side and house building and investment on the supply side. For example, higher interest rates make it more expensive for households to borrow thereby reducing demand for housing, and they increase the cost of financing for suppliers thereby reducing investment in

land and new build houses. Then again, taxes, subsidies and grants can also influence housing markets.

Data issues

Data on past inflation and interest rates (as well as a host of other indicators) are available from HM Treasury's 'Pocket Data Bank'²⁰, while 'Forecasts for the UK economy'²¹ sets out independent forecasts of, amongst other things, UK GDP growth, inflation and interest rates. A number of bodies also provide, on a subscription basis, Scottish-level forecasts of economic growth. The Fraser of Allander Institute²² and Scottish ITEM Club produce forecasts for the current and following year, with Experian forecasting one further year into the future, and Cambridge Econometrics offering longer-term forecasts, stretching fifteen years into the future. Local economic analysis is the domain of local authority economic development departments and local enterprise companies. It is not anticipated that housing need and demand assessments will involve any new work over and above that already being undertaken by local partners in this area.

Analysis

Partnerships will need to consider how interest rates, government funding for housing/regeneration and housing benefits have changed over the last ten to twenty years. It is likely that local authorities will be monitoring these issues already as part of their analysis of the local housing system.

Step 1.3: employment levels and structure

Rationale

The demand for, and supply of, housing of different types of tenure, size and location will be influenced by the number and types of employment opportunities available in an area. These will determine the levels of wages paid and influence preferences for different parts of the housing market area. For instance, people earning higher incomes tend to travel further to work than the lower paid.

Data issues

Data on employment structure and occupational structure from the Annual Business Inquiry (ABI) can be obtained from NOMIS (the national on-line information system)²³. This also provides information on economic activity

²⁰ http://www.hm-treasury.gov.uk/economic_data_and_tools/latest_economic_indicators/data_indic_index.cfm

²¹ http://www.hm-treasury.gov.uk/economic_data_and_tools/forecast_for_the_uk_economy/data_forecasts_index.cfm

²² The Fraser of Allander Quarterly Economic Commentary Publication is currently under review.

²³ <https://www.nomisweb.co.uk/>

rates (the proportion of the working age population that is either in work or actively seeking work) and unemployment. Again, it is likely that local authorities will be monitoring these issues as part of their consideration of economic performance.

Analysis

Housing market partnerships may consider the proportion of lower and higher paid jobs. This can be assessed by employment sector (e.g. banking and finance, hotels and catering, public administration) and occupational structure (e.g. managerial and professional, skilled manual, unskilled manual). Partnerships should consider the extent to which the economy reflects growing or declining economic sectors and the relative affluence of the working population.

The relationship between the skills of those working in the area (employer based information from the Annual Business Inquiry) and the population (resident based information from the Census) can be assessed to understand the linkages between housing and employment in the housing market area. This can be drawn together with information used to identify the housing market area (i.e. travel to work areas and commuting).

Step 1.4: incomes and earnings

Rationale

Incomes and earnings are key drivers of demand. The evidence shows that households spend more on housing as incomes increase, although typically they do so at a rate less than their growth in income. Studies suggest that as incomes rise, demand for neighbourhood quality increases together with house size.

Data issues

HM Revenue and Customs provides data on personal incomes at Scotland level. Data on household incomes are more relevant but are difficult to estimate with certainty. Estimates of household income data can be modelled using existing data sources as a starting point (e.g. HM Revenue and Customs personal incomes or individual earnings from the Annual Survey of Hours and Earnings). However these sources do not include information about people who are not in work or who are self-employed, meaning assumptions have to be made in terms of their likely incomes and relative proportion of overall incomes. Information on earnings, benefits and tax credits can be downloaded from the Scottish Neighbourhood Statistics website and the Scottish Index of Multiple Deprivation (also available from Scottish Neighbourhood Statistics) has an income deprivation component. Where resources allow, income distributions can be purchased from a number of sources including CACI Paycheck and Experian. Where possible, information about household incomes should be estimated by age and household type.

The Scottish Household Survey provides information on the incomes of the highest income householder and partner in each household in the survey²⁴. This is a potentially useful source of information on the housing characteristics of households in broad income ranges²⁵. Household incomes may also be estimated from local survey data where it is available. To ensure information is robust, findings should be checked against other nationally available data. Historical data may not be available at the local level.

Analysis

The important factor to consider is the distribution of incomes in the housing market area and how they have changed over time relative to the national picture. It is also useful to understand the source of income, including the extent of benefit dependence. As with skills, partnerships may wish to consider the difference between the incomes of those living and working in the area. Employee incomes are available from the Annual Business Inquiry. Where possible, partnerships may wish to obtain more detailed information about young adults and potential first time buyers to better understand access to market housing.

Stage 2: The housing stock

The stock of housing is the number and type of housing available within an area at a specific date and how that housing is being used. It is important to assess the overall adequacy of stock and identify key issues that need to be addressed.

The research questions for this stage of the assessment are:

- What is the current housing stock profile?
- How has the housing stock changed over the last ten years?

Partnerships may set additional research questions to investigate issues of local importance, for example, the need for neighbourhood renewal or rural housing pressures.

²⁴ In particular it excludes the income of any other adult in the household.

²⁵ The Scottish Household Survey website:

<http://www.scotland.gov.uk/Topics/Statistics/16002> provides further background

Table 3.2 sets out examples of data sources that partnerships can draw upon to analyse the housing stock in three steps.

Table 3.2 : housing stock datasets		
Step	Principal data sources	Data items
2.1 Dwelling profile	Census information on dwellings by size and type from the Scottish Neighbourhood Statistics website. Information from the Scottish Assessors portal on dwellings by size and type at datazone level, available from the Scottish Neighbourhood Statistics website. Local authority own information systems such as Council Tax billing systems, housing management databases for councils' own stock, and private landlord registration data. Annual Performance and Statistical Return (APSR) for information on housing association stock.	Number of dwellings in the area by size, type, location and tenure
2.2 Stock condition	Scottish House Condition Survey, local stock condition surveys, SHQS standard delivery plans, Census and local authority management information systems (e.g. Below Tolerable Standard)	Condition of stock (unfit, in need of major / minor repairs) by tenure, size type and location
2.3 Shared housing and communal establishments	Census, the Higher Education Statistics Agency (HESA) Student accommodation services, voluntary sector and key informants, local authority Registers of Licensed Houses in Multiple Occupation, local surveys, Scottish Government statistical publications such as prison statistics and care homes statistics. Local Authority own management information systems (e.g. Private Landlord Registration Data). Some information on Communal Establishment residents is also published as part of the GROS household projections	Estimated numbers of households living in shared houses and communal establishments

Step 2.1: dwelling profile

Rationale

Changes in the number of residential properties can occur due to demolition, conversion, new build, sales and transfers. The cumulative impact of these changes can impact upon the operation of the market, for example, over five years new supply could add 5% to the stock of housing available, possibly attracting different household types to an area. Changes at the neighbourhood level can occur rapidly.

Data issues

Counts of current stock and vacancies are available from the Council Tax Register. They are also published as part of the General Register Office for Scotland household estimates at local authority level, and will be published at datazone level on the Scottish Neighbourhood Statistics website. Figures on tenure, house size and type can be obtained at lower spatial levels from the Census but this is only updated every ten years. Annual figures on house size and type are also published on the Scottish Neighbourhood Statistics website. Additional information about private rented dwellings is available through information systems related to landlord registration and private landlord accreditation schemes. Landlord registration data provides information about the number and location of private rented properties.

The number of dwellings has to be adjusted to take into account dwellings that are abandoned, uninhabitable, long-term vacant or used primarily as a second residence. Information on vacant dwellings and second homes is available from Council Tax registers and will be published at neighbourhood level on the Scottish Neighbourhood Statistics website. The nationally available data on vacant and second homes do not provide estimates separately by tenure. Councils will have information on long term vacant and hard to let properties from their own housing management systems and it is likely that this information will have formed an important part of assessments underpinning plans to bring stock up to the Scottish Housing Quality Standard.

It is difficult to obtain accurate data for empty houses in the private sector and partnerships will have to make an informed estimate using the data available and possibly incorporating views from solicitors, estate and letting agents. Information on demolitions and new house building at local authority level is published in Housing Statistics for Scotland web pages²⁶. Information on annual private and public new building at datazone level since 2001 will be added to the Scottish Neighbourhood Statistics database from spring 2008 and will be subsequently updated annually.

²⁶ <http://www.scotland.gov.uk/Topics/Statistics/Browse/Housing-Regeneration>

Analysis

Where possible, partnerships should plot the changes in the stock profile over the past ten years and identify the locations that have experienced high levels of change. When assessing the changes (particularly in tenure) it is useful to consider the extent to which they are the result of construction, demolition or conversion of existing dwellings or sales to sitting tenants.

Step 2.2: stock condition

Rationale

As well as the number of properties, overall supply is influenced by general wear and tear and investment in maintenance. A residential property only fulfils its purpose if it addresses the requirements of those that live in it and meets minimum quality standards.

Data issues

The Scottish Housing Quality Standard was introduced in 2004 and applies to properties in the social rented sector. The Standard is based on a number of broad quality criteria. To meet the Standard the house must be:

- Compliant with the tolerable standard;
- Free from serious disrepair;
- Energy efficient;
- Provided with modern facilities and services; and
- Healthy, safe and secure.

Local authority and registered social landlord standard delivery plans contain information about the numbers of social rented homes that currently meet the Scottish Housing Quality Standard, as well as future investment plans.

The Scottish House Condition Survey provides information on the Scottish Housing Quality Standard at a local authority level²⁷. Many local authorities will also have undertaken stock condition surveys across all tenures drawing upon guidance provided by the Scottish Government. Where survey results from across more than one local authority area are combined, partnerships will need to ensure that the findings from each local authority are comparable.

Analysis

Trends should be assessed on the state of repair and the five Scottish Housing Quality Standard criteria broken down by tenure, size, type and location.

²⁷ <http://www.scotland.gov.uk/Topics/Statistics/SHCS/Downloads>

Step 2.3: shared housing and communal establishments

Rationale

Shared housing and communal establishments²⁸ are important types of accommodation for several household groups. Partnerships are likely to have an interest in housing issues for these groups either because of their vulnerability (e.g. homeless households or the elderly), or because of the economic impact of having such groups in the area (e.g. students or workers with tied accommodation).

Data issues

The Census records information on the number of people living in communal lodging establishments, and shared dwellings. Some information on Communal Establishment residents is published as part of the GROS household projections. Apart from that, regularly updated and comprehensive national data sources are not available so partnerships may find it useful to consult with social services, the voluntary sector and student accommodation services or seek data from various sources within the council. The legal requirement for Houses in Multiple Occupation to be licensed means that local authorities now have accurate and up to date information on the number of these dwellings.

Analysis

As well as recording the numbers of different household groups in shared accommodation, partnerships may wish to gather information about the suitability, condition, vacancy rate and location of such establishments.

Core output 1

Based upon stage 2 of this Chapter, partnerships should be able to produce:

- estimates of current dwellings in terms of size, type, condition, tenure, occupancy and location.

Stage 3: Market activity

This section requires partnerships to analyse indicators of housing market activity to improve their understanding about changes in demand over time and identify pressure points within the area. The key aim is to identify any

²⁸ Communal establishments include: residents living in medical and care establishments including hospitals (psychiatric and general), nursing homes, and residential care homes, children's homes; defence establishment including ships; prison and young offenders institutions; educational establishments including halls of residence; hotels, boarding houses and guest houses; youth hostels; hostels for the homeless; and civilian ships, boats and barges.

imbalances in the housing market, either as a result of excess demand, lack of supply response or lack of demand.

The research questions for this stage of the assessment are:

- What do market indicators tell us about current demand, particularly house prices/affordability and how effectively has the market responded to changes in demand?
- How has demand changed?

It is not possible to describe precisely and with certainty the exact extent of current demand. Accordingly, partnerships will need to examine and interpret a range of indicators. Historical data may not be available at the local level. Available indicators can be supplemented with knowledge from relevant stakeholders such as solicitors, estate agents and developers. Where analysis suggests that there are issues of low demand within housing market areas (and therefore little market activity), partnerships may wish to undertake additional research.

The data used to understand demand for market housing differs to that used to assess need for affordable housing, since the needs of those who cannot afford market housing are not reflected in house prices. Choices in the social sector can be assessed by looking at turnover, vacancies and waiting lists. Whilst some of these indicators are included here, a more complete assessment of housing need is set out in Chapter 6.

Examples of the indicators that partnerships should use to assess market activity and the steps to be undertaken are set out in Table 3.3 below.

Table 3.3: market activity datasets		
Step	Principal data sources	Data items
3.1 The cost of buying or renting a property	Registers of Scotland ²⁹ , Solicitors, Estate and Letting Agents, Rent Registration Service (Scotland), Annual Performance and Statistical Returns, the Housing Statistics for Scotland web tables	Average and lower quartile prices and rents by tenure, sizes, types and location
3.2 Affordability of housing	Outputs of Stage 3.1 and Stage 1.4	Mapping of which areas and property types are most and least affordable for different types of households at different stages
3.3 Overcrowding and under-occupation by tenure	Census, Scottish Household Survey, local surveys	Dwelling and household size, overcrowding, under-occupancy
3.4 Vacancies, turnover rates and available supply by tenure	Outputs from Stage 2.1, Census, Scottish Household Survey, Council tax register, local authority/RSL records, Registers of Scotland, Solicitors, Estate and Letting agents, Survey of Mortgage Lenders	Vacancy rates by tenure, size, type and location, transactions data, turnover, and an indication of available supply by tenure, type, size and location

²⁹ <http://www.ros.gov.uk/>

Step 3.1: the cost of buying or renting a property

Rationale

Understanding house price changes is key to an understanding of the dynamics of housing markets. Simple economic theory teaches that in perfect conditions, and as a broad generalisation, the price of second hand and new build houses and the rents charged by landlords will reflect the inter-relationships of demand for, and supply of, houses in a housing market area. An increase in the level of demand in the face of a given stock will lead to rising prices. In turn, these signals will encourage an increase in the supply into the market with consequent downward pressure on prices. Of course, the reality in housing market areas throughout Scotland, as elsewhere, is much more complicated than application of this simple model would suggest. For instance, housing either for purchase or rent is not a homogenous product. The market is fragmented by size, type, tenure and location and the component sub-markets are themselves discontinuous and fragmented. As has been seen in Scotland and other parts of the UK in recent years, house price increases are not always met with a significant increase in the overall supply of new housing. In addition, house prices in the various sub-markets have been, and still are, subject to selective interventions on social and other grounds. Although the study of house prices and rents is a complex and difficult task, it makes an essential contribution to an adequate understanding of the dynamics of housing markets.

Data issues

Individual property prices are available from the Registers of Scotland. They are based on actual transactions but do not provide an indication of dwelling size. A new data source is currently under development by the Scottish Government, which will provide house price information by house size at datazone level. This is expected to be available by summer 2008. House price data may have been used to identify housing market areas, and have been adjusted to account for key dwelling attributes. In addition, there are private providers (e.g. solicitors property centres) who can provide more detailed property attribute and price data.

Entry-level prices should be approximated by lower-quartile house prices. The cheapest available property prices should not be used since these often reflect sub-standard housing quality or environmental factors. As well as looking at entry level prices, partnerships should obtain information about median and upper-quartile house prices so that they can understand performance across the whole housing market.

Local reference rents are published by the Scottish Government, using data from the Rent Registration Service (Scotland) and the Rent Registration Service will also provide Local Housing Allowance (LHA) rates to local authorities each month (market rent levels to be used for housing benefit payments to tenants with new claims from April 2008 onwards). Additional information can be found from local letting and estate agents and internet

searches. Where available lower quartile rents should be used to estimate the entry level but failing this local reference rents will suffice.

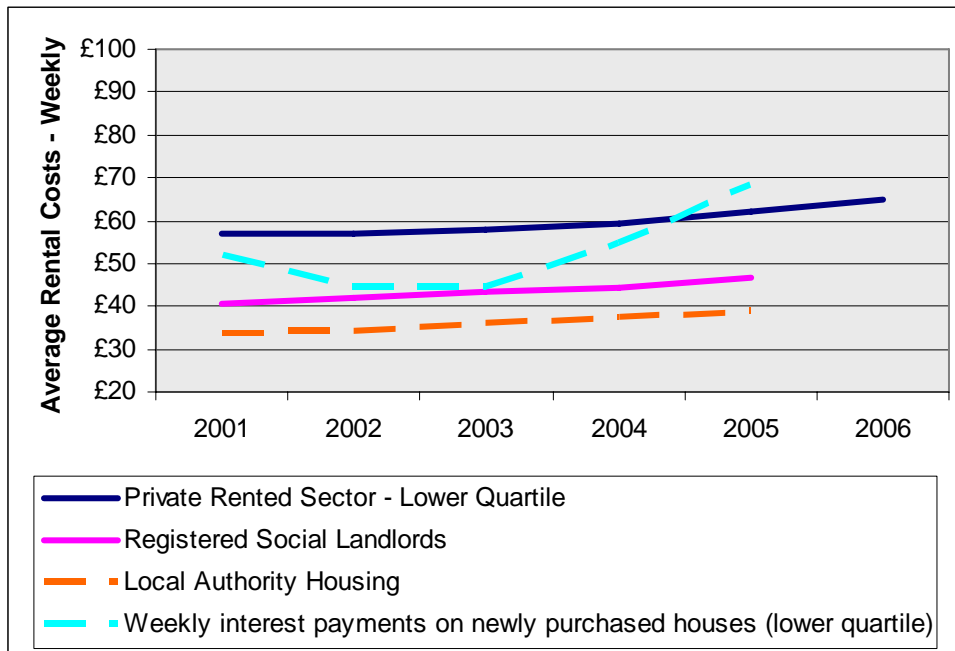
Analysis

House prices can be converted into weekly housing costs through assumptions about mortgage re-payments using current interest rates – although this applies only to newly purchased homes. Many homeowners will have mortgage costs based on historic prices and economic conditions.

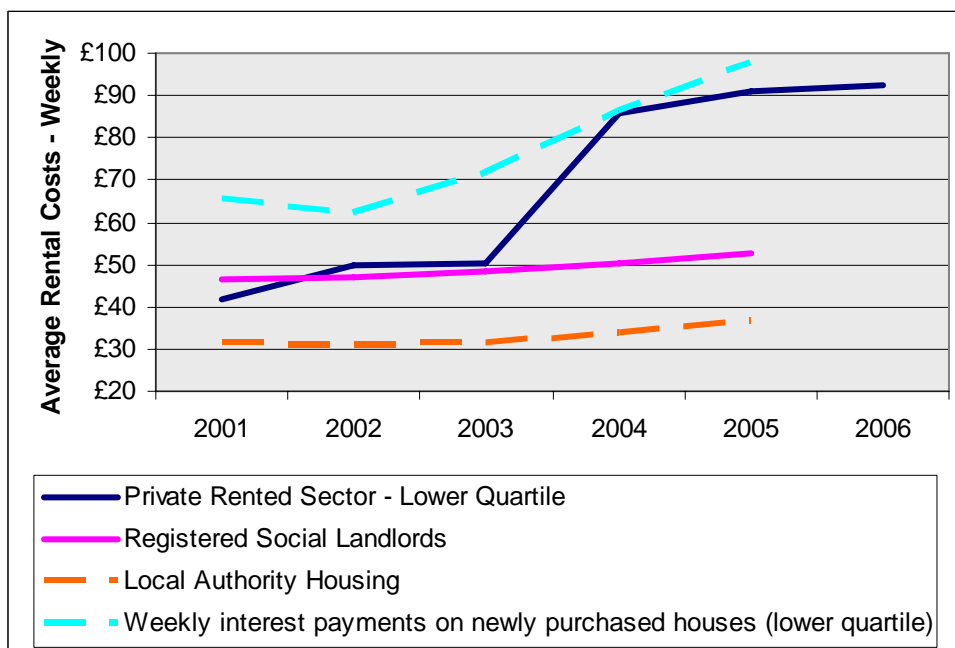
The costs of different tenures should be compared. Partnerships should use the median house price in preference to the mean since median prices are less volatile. Because house price change is variable, it is important to assess the medium to long term trajectory of change.

Figure 3.1: Comparison of weekly housing costs by tenure in the Angus and Midlothian local authority areas between 2001 and 2006

Angus



Midlothian



Sources: Private sector rents are drawn from the lower-quartile Local Reference Rents (LRR). Local authority average rent levels, are available from the Scottish Government's Statistics website <http://www.scotland.gov.uk/Topics/Statistics/About>. Average rents for RSLs, by local authority area, are available from Annual Performance and Statistical Returns. Weekly mortgage interest payments are calculated by multiplying lower quartile house prices (Registers of Scotland/ Scottish Government) with Bank of England average UK Mortgage Interest Rates (Bank of England: data series CFMHSDE).

Figure 3.1 presents an example of monitoring housing cost trends by tenure for the Angus and Midlothian local authority areas. Where Angus has seen a gradual increase in housing costs across each tenure from 2001, Midlothian has experienced a sharp increase in the cost of private renting and house purchase at the lower quartile. This rapid change of tack reflects housing market pressures that have been developing in and around the City of Edinburgh.

Partnerships should compare price levels and changes for different types of dwellings in a local area with those for the wider housing market area to assess whether there are demand pressures specific to the locality. In addition, change in lower quartile house prices should be compared with change in the mean and median prices. Comparatively high rises in lower quartile prices can signal affordability issues and problems for first time buyers. An example analysis is presented in Table 3.4.

Table 3.4: analysis of relative prices and affordability

House prices in Dumfries, 1999 to 2006			
Year	Lower Quartile (£)	Median (£)	Upper Quartile (£)
1999	£ 35,000	£ 48,500	£ 70,000
2000	£ 36,555	£ 49,738	£ 72,000
2001	£ 37,000	£ 52,750	£ 72,000
2002	£ 36,000	£ 53,250	£ 78,284
2003	£ 40,205	£ 60,000	£ 85,070
2004	£ 57,000	£ 77,975	£ 114,995
2005	£ 64,500	£ 86,000	£ 139,873
2006	£ 73,000	£ 102,000	£ 142,500
Average annual growth rate 1999-2006	11.8 %	11.6%	11.2%

Average house prices across Dumfries and Galloway local authority area, 1999 to 2006

Year	Lower Quartile (£)	Median (£)	Upper Quartile (£)
1999	£ 38,000	£ 51,000	£ 75,000
2000	£ 38,625	£ 53,000	£ 75,000
2001	£ 40,000	£ 55,000	£ 78,000
2002	£ 40,000	£ 57,000	£ 85,000
2003	£ 46,500	£ 68,513	£ 100,950
2004	£ 63,000	£ 90,000	£ 136,950
2005	£ 72,530	£ 100,003	£ 155,000
2006	£ 82,500	£ 117,830	£ 162,000
Average annual growth rate 1999-2006	12.3%	13.1%	12.2%

Affordability – House Price to Income Ratios – Single Earners in 2-bedroom Flats - 2006

	Dumfries & Galloway	Scotland
Lower quartile house prices / lower quartile income	3.78	3.77
Median house prices / median income	3.19	3.35

Source: Registers of Scotland/ Scottish Government, Annual Survey of Hours and Earnings.

Step 3.2: affordability of housing

Rationale

Affordability analyses provide information about which locations and types of properties are accessible to local people and which are the most difficult to afford. Poor affordability can lead to excess commuting and unsustainable travel patterns, a loss of workers in the area, high dependence on social housing or housing benefit, health problems, poverty and homelessness. All neighbourhoods will vary in their affordability, however the concept is most meaningful at functional housing market and local authority area level.

Data issues

Assessing affordability involves comparing house costs against the ability to pay. The ratio between the income or earnings distributions identified in step 1.4 and housing costs identified in step 3.1 (both in this Chapter) can be used to assess the relative affordability of housing. (Further details on affordability tests are provided in Chapter 6).

Analysis

Partnerships should compare the lower quartile income distribution to lower quartile house prices. This ratio should be compared with the mean and the median ratios to assess the extent to which the income distribution is skewed. For example, where there are large numbers of households on relatively low incomes, the few on high incomes will push up the mean, giving a misleading picture of affordability. Partnerships may wish to explore other ways of looking at affordability such as the number of 30 year olds (or other relevant age associated with first time buyer groups) able to afford owner occupation. Partnerships should compare income to price ratios with the national picture and also where appropriate compare local authority data with the wider housing market area identified.

Alongside simple house price data, Table 3.4 examines the affordability of house purchase facing local residents. In this example, local house price data for two-bedroom apartments (from Registers of Scotland/ Scottish Government), are paired with local earnings data for a single full-time earner (from the ONS Annual Survey of Hours and Earnings). This illustrates affordability as faced by local residents, and can be replicated for different property sizes and earnings ranges to build a rich picture of affordability constraints at the local level³⁰. Here, for instance, residents on lower quartile incomes in Dumfries and Galloway face affordability constraints similar to the Scottish average – at least in terms of two-bedroom apartments. At the median, however, residents of Dumfries and Galloway find it relatively more affordable to purchase this property type.

³⁰ For further examples, see Figures 13 – 15 of Scottish Housing Market Review: Evidence and Analysis 2007. Available at: <http://www.scotland.gov.uk/Publications/2007/06/20154930/0>

Step 3.3: over-crowding and under-occupation by tenure

Rationale

The degree of overcrowding provides an insight into a key indicator of housing need. Overcrowding can be a sign of hidden pressure in the system and depending on the composition of overcrowding, can provide insight into possible future household flows. Under-occupancy, although not in itself an indicator of housing need, is a useful measure of how well the stock is being utilised which can, for example, inform future build patterns as well as allocation policies in the social sector.

Data issues

The Census provides a measure of over-crowding and under-occupation by looking at households with greater numbers of members (compared to rooms) by tenure. If Census data are out of date and where there are issues regarding occupancy levels, partnerships should consider alternative data sources. National surveys (The Scottish Household and Scottish House Condition Surveys) also provide evidence of overcrowding or under-occupation although care should be taken to understand the different definitions.

Analysis

Partnerships should plot trends in over-crowding and under-occupation with a view to identifying the tenures, household types and locations most affected.

Step 3.4: vacancies, turnover rates and available supply by tenure

Rationale

Turnover rates, difficult-to-let properties, and void levels can reveal potential imbalances in the housing system for different types of housing. Turnover, particularly the time period during which housing remains unsold in the market housing sector, will indicate the degree to which supply is available.

Data issues

Vacancy data will have been collated at step 2.1 in this Chapter. For available supply and turnover in the private rented sector, partnerships will have to consider gathering information from solicitors, estate and letting agents. Where HMO licensing, private landlord registration data and local data on rent deposit schemes are available then this should be used. The available supply of market housing is that currently advertised for sale or for rent. Turnover within the owner occupied sector can be obtained from the Registers of Scotland. The current availability of social housing is indicated by the number of re-lets and the most detailed information on this for registered social

landlords comes from SCORE³¹. Local authority totals can be obtained from the Scottish Government's Housing Statistics for Scotland web pages or local authority information systems. Turnover rates can be derived by combining re-let data with stock data. The Scottish Household Survey can also provide a useful triangulation check on estimated turnover in each tenure at local authority or housing market area levels. The survey gives information on the proportion of households by the time they have been living in the house³².

Analysis

Since housing markets are dynamic, a certain level of vacancy is inevitable and may be desirable. Partnerships should identify areas with unusually high levels of long-term vacancies. Where high rates are found and the reasons are unknown, partnerships may wish to explore reasons through interviews with stakeholders.

Available supply encompasses any new dwellings coming onto the market along with existing stock. Partnerships should plot the current levels of available supply and assess historical trends where data are available.

Turnover rates should be calculated (in percentage terms) as sales compared to total owner occupied stock. They require careful interpretation. Turnover rates vary by tenure. In the private rented sector, the average length of stay is usually reasonably short (often less than 2 years). In 2005/06, 61% of those buying with a loan or mortgage had been in their present house for up to ten years and 33% had been in their present house for up to four years³³. In the social rented sector, high turnover can be created in part by the allocations system; social rented properties can have high turnover rates where vulnerable households are placed in housing not suited to long term tenancies. High turnover can be good if households are being moved to housing more appropriate to their needs. Conversely, it can mean that certain housing or areas are unpopular and partnerships should consider the size and type of re-lets. In addition, low turnover can indicate issues around housing availability – this can be common in rural areas.

To help unpack these factors, partnerships should consider turnover rates alongside vacancy rates. In addition, the relationship between changes in the rate of turnover and house prices may be of interest, particularly for low demand areas where changes in demand are more crucial than the overall level. Prices and transactions generally move together but may occasionally diverge yielding insights into housing demand.

³¹ Scottish Continuous Recording System <http://www.scoreonline.org.uk>

³² For example, if 10% of households in a given tenure have been in their present house for under a year then around 10% of the stock turns over in the year.

³³ Source: Scottish Household Survey Annual Report 2005/06, Table 4.14

Stage 4: Bringing the evidence together

The evidence gathered in stages 1-3 will provide an insight into the current housing market and past trends in terms of the demographic and economic context, housing stock and housing demand. Partnerships will need to consider how the evidence gathered through the different steps in this Chapter relates to each other.

The research questions for this stage of the assessment are:

- How are market characteristics related to each other geographically?
- What do the trends in market characteristics tell us about the key drivers in the market area?
- What are the implications of the trends in terms of the balance between supply and demand and access to housing?
- What are the key issues for future policy/strategy?

This stage of the assessment will require partnerships to interpret the collected data, making clear any assumptions made. In many cases, there is likely to be a wider body of research that provides analytical support for the relationships, for example, the increase in house prices with lower interest rates and moves into owner occupation. There is no one simple way of analysing the relationships between the market indicators. Three key steps that should be undertaken are set out below.

Step 4.1: mapping market characteristics

Rationale

It is often easier to analyse, understand and interpret data when displayed spatially. Partnerships may wish to display and examine demographic and economic context and housing stock across the housing market area. Partnerships may also wish to examine elements of housing demand within component markets where the data is available. This more detailed analysis may be useful in the formulation and implementation of local housing strategies in target areas.

Analysis

Where possible, partnerships should use Geographic Information Systems (GIS) software to map the market characteristics and identify how characteristics cluster together and the level of similarity between locations. Where GIS software is not available, partnerships can assess these relationships using tabulated data.

Partnerships should aim to identify areas where access to housing is difficult and those where there is evidence of low demand. It will be useful to look at stock characteristics, households and commuting patterns to assess why particular locations have high or low demand. Other information such as

school performance data and social tenant surveys could provide further insight to these issues.

Where resources and data allow, partnerships can consider applying statistical analysis to identify the clusters and understand the key determinants of demand. Again, such analyses may have already been undertaken to identify housing market areas.

When looking within housing market areas, it is important to distinguish between urban and rural areas as they may exhibit different characteristics. For example, many rural locations have experienced lower rates of turnover and new supply³⁴.

Step 4.2: trends and drivers

Rationale

Demand trends, particularly housing costs, should be analysed alongside trends in key demographic and economic factors to better understand the key drivers in the housing market. This integrated analysis of the demand and supply characteristics will provide evidence about the balance between housing demand and supply in the housing market area.

Analysis

First, partnerships should assess how the economic and demographic profile of households changes over time. Partnerships should note the key changes in profile by tenure. Migration will be a key driver and partnerships should use available migration information from the Census and National Health Service Central Register (Scotland) records to better understand historical changes – the General Register Office for Scotland population statistics include information on migration at local authority level, based on these sources.

Second, partnerships should consider how the demand indicators have changed with the economic and demographic changes noted above. Partnerships should assess the relative timing of changes to trends to identify relationships between factors. When analysing the data, partnerships should be aware of the variable nature of house prices and differential performance in component markets, and investigate the drivers behind periods of change and stability.

³⁴ Each postcode on the General Register Office for Scotland postcode index is given an urban / rural classification (6 fold) ranging from Large Urban Areas – (Settlements of over 125,000 people) to Remote Rural – (Settlements of less than 3,000 people and with a drive time of over 30 minutes to a settlement of 10,000 or more). See <http://www.scotland.gov.uk/Resource/Doc/933/0034463.pdf> for more information on its use.

Third, partnerships should consider changes in housing demand and supply together to better understand the responsiveness of the market in the area by tenure.

The housing market partnership may wish to collect additional qualitative information to help provide insight about housing market drivers and trends. For example, latent demand can be better understood by looking at the nature and pattern of failed search activity. Partnerships may consider interviewing solicitors, estate and letting agents or facilitating focus groups with recent movers to better understand aspirations and what are considered reasonable substitutes for failed searches.

Step 4.3: issues for future policy/strategy

The above analysis should provide a good understanding of the balance between supply and demand for different tenures and locations. Partnerships should look across this evidence to identify the trends and key issues that need to be considered in terms of the formation of future policy and strategy. The relationships between key indicators should be explained in full, particularly where they signal a possible need for intervention such as unresponsive supply³⁵. In addition, indicators that have changed rapidly and suggest volatility in the market should be highlighted.

High levels of homelessness, concealed households and overcrowding as well as key market indicators such as rising house prices are likely to illustrate unresponsive supply. Partnerships will want to consider how imbalances in the housing market can be corrected in setting housing supply targets in their local housing strategies and subsequent land allocations in their development plans.

Partnerships will want to consider the implications of affordability for housing need and demand. This could involve considering how affordability pressures are constraining the local economy, for example, by restricting non-household spending or influencing decisions to move jobs.

The evidence assembled at this step can be used to inform wider policy issues. For example, information about the proportion of different household types by tenure in different areas (e.g. older people, lone parents) can provide evidence about requirements for specific housing or additional services in particular locations.

³⁵ See Chapter 13 in the Local Housing System Analysis: Good Practice Guide for further useful information on imbalances in the housing system

Core output 2

Based upon the steps outlined in this Chapter, partnerships should be able to produce:

- an analysis of past and current housing market trends, including balance between supply and demand in different housing sectors and prices/affordability.
- a description of the key drivers underpinning the housing market.

CHAPTER 4

The future housing market

Introduction

This Chapter provides guidance on how partnerships can derive estimates of the scale of future housing demand across the whole housing market. It requires partnerships to build upon their understanding of the current housing market derived in Chapter 3 and consider how the current drivers of housing markets could shape future changes in housing demand.

For each of the stages listed below, this Chapter describes the steps that should be undertaken.

Stage 1	Indicators of future demand
Stage 2	Bringing the evidence together

The framework sets out the minimum requirements for understanding the future housing market. Whilst partnerships may wish to work with consultants to bring the information together there is no expectation that additional commissioned projects will be necessary to meet these requirements. Partnerships may wish to undertake more detailed analysis. More sophisticated approaches that use forecasting techniques to assess the potential impact of economic factors on the housing market are described at the end of this Chapter.

Stage 1: Indicators of future demand

The research questions for this stage of the assessment are:

- How might the total number of households and household structure change in the future? How are household types changing, e.g. is there evidence of an ageing population?
- How might economic factors influence total future demand?
- Is affordability likely to worsen or improve?

Step 1.1: projecting changes in future numbers of households

Rationale

This stage will enable partnerships to estimate the total number of new households that are likely to arise in the future across the functional housing market and local authority area. In many cases, household numbers are likely to increase and this estimate of change will provide evidence to inform policy decisions regarding the amount of additional housing required.

Data issues

Partnerships should obtain and assess the most recent official government population and household projections published by the General Register Office for Scotland. Both datasets project past trends forward into the future. They assume that the trends in underlying economic factors (e.g. labour market participation rates, unemployment, retirement age) and demographic factors (e.g. ageing, tendency to get married or live together or to get divorced or separated) will continue unchanged in the future. Some of these assumptions are explored further in the following steps.

Household projections by household type are currently published for local authority areas and will be produced in the future for the new Strategic Development Plan Areas. The General Register Office for Scotland does not produce projections for other geographies but some Planning Authorities generate their own projections.

Analysis

Partnerships should record population and household projections annually over a period of at least 20 years and estimate future change in population according to gender, age and household numbers by type (e.g. one adult, two adults with children etc).

Core Output 3

Based upon this step, partnerships should be able to produce:

- an estimate of the range within which the total future number of households is likely to fall.

Step 1.2: future economic performance

Rationale

Future housing demand will be affected not just by the number of households but by their ability and willingness to pay for housing. The economic performance of the area can influence both the number of households (e.g. through migration) and the willingness and ability to pay for housing (e.g. through income and investment potential).

Data Issues

Partnerships should draw on future economic and employment forecasts produced by local authority economic development teams and local enterprise companies. In addition, partnerships can consult local major employers or draw upon related local surveys to assess potentially significant changes in future economic performance.

Analysis

Partnerships should have a good understanding of the relationship between historical economic performance and housing demand from the analysis undertaken in Chapter 3. This step requires partnerships to identify the long-term stability of the local economy along with key strengths and weaknesses, and explore the implications for future housing demand. For example, continuing over-dependence on an industrial sector that is in decline is a weakness that could imply incomes are unlikely to grow and present trends will continue. On the other hand, recent growth in professional and managerial occupations associated with new firm formation and employment growth is a strength that may result in high levels of in-migration, particularly skilled professionals.

Where evidence is available, partnerships should compare economic forecasts between local authorities, housing market areas (or regions) and the national picture. This will inform better understanding of potential migration patterns as economic performance is an influential factor in this. The assessment should also have regard to national economic factors.

Step 1.3: future affordability

Rationale

Affordability is a key issue affecting many housing markets in Scotland and the UK. The aim of this step is to estimate whether the affordability of housing is likely to improve or worsen, and to understand the implications of changes in house price for affordability.

Data issues

Future house prices cannot simply be projected on the basis of past trends. Predicting future house prices is an inherently uncertain process since changes in house prices are often variable and periods of fast growth can be followed by slower growth or even decline.

The detailed analysis carried out by the Scottish Government in the 'Scottish Housing Market Review – Evidence and Analysis 2007'³⁶ concluded that, in the medium term, it is likely that house price growth will be at similar levels to the growth in earnings.

Analysis

Partnerships should examine the national evidence together with their own knowledge of how the housing market area differs from the national picture in terms of key factors that affect affordability such as future economic performance and committed supply rates.

³⁶ <http://www.scotland.gov.uk/Publications/2007/06/20154930/0>

It is useful to consider the sensitivity of affordability rates to price changes. Holding incomes constant, it is possible to re-calculate the affordability analyses in Chapter 3 with different house price scenarios. Partnerships can identify the potential affect of a 5%, 10% and 20% increase or decrease in house prices on affordability. It is possible to further develop a range of scenarios for house price growth (or decline) based upon different housing demand and supply scenarios.

Stage 2: Bringing the evidence together

As discussed in Chapter 3, current housing demand is difficult to quantify. Total future housing demand is even more difficult to quantify. Rather than aiming to pin down numerous details, partnerships should ensure that the evidence brought together within this section enables the identification of high level messages about the key trends and drivers to which future policies will need to respond.

The research question for this stage of the assessment is therefore:

- What are the key issues for future policy/strategy?

The key messages will include an estimate of the scale of requirement for future housing based on net household projections, an estimate of whether there is need to plan for additional demand due to demographic or economic factors, an estimate of whether housing affordability is likely to worsen or improve based on current trends, and the evidence that explains why (e.g. migration or changes in employment structure).

Partnerships will also want to ensure that development planning embraces Government's aspirations for Scotland, reflected in targets for greater economic and population growth, that imply higher overall household growth than current projections indicate. Planning for housing should reflect the need to accommodate this³⁷.

Chapter 6 looks in more detail at current and likely future housing need. Housing need is intricately linked to imbalances in the whole housing market both current and future. Housing need must therefore be set within this understanding of the whole housing market.

³⁷ National Planning Framework For Scotland 2, Discussion Draft, Scottish Government, January 2008 <http://www.scotland.gov.uk/Publications/2008/01/07093039/11>

More sophisticated methods of assessing future housing demand

Why use different methods to estimate future numbers of households?

The trend based household projections described in step 1.1 in this Chapter have various technical limitations that constrain their accuracy in particular areas (see Table 4.1 below). Where one of these limitations reflects an issue of particular relevance to a housing market area, partnerships may want to consider alternative methods.

Table 4.1: technical limitations of household projection techniques

Populations of ethnic background: There can be marked differences in household formation, fertility and life expectancy amongst different ethnic communities. However General Register Office for Scotland projections are not broken down by ethnic group.

Migration assumptions: NHS patient registers are the best proxy for internal migration within Scotland but are known to underestimate migration. In particular, young men are less likely to register with a GP when or after they move.

Variation amongst younger households: Although the housing preferences of those over 34 years are largely stable, household formation amongst younger adults (especially those under 24) is more variable reflecting a range of factors including housing, employment etc. Research by Ermisch and Di Salvo (1997)³⁸ shows that high house prices can encourage younger people to remain at home and delay forming separate households.

Length of time elapsed since the Census used to derive projections: The process of change is cumulative so the reliability of projections decreases over time.

Private households: Household projections largely disregard concealed households and tend to assume that the proportion of the population living in communal establishments will remain constant.

In addition, the degree of stability in the housing market will influence whether more sophisticated techniques should be used. Where the economy and employment are relatively stable and there are no significant changes expected in the structure and performance of the housing market, partnerships may consider trend-based household projections to be fit for purpose. However, where changes are expected to occur (e.g. in a growth area or area with significant incentives for regeneration) it may be useful to consider the techniques outlined below.

³⁸ The economic determinants of young people's household formation. Pamela Di Salvo and John Ermisch (Journal of Urban Economics, Vol 42, July 1997 pp1-17)

Estimating future housing change using forecasting techniques

The methods of forecasting described below will allow partnerships to undertake sensitivity testing of likely future household growth by varying the assumptions underpinning change, particularly socio-economic factors (e.g. likely levels of migration and economic growth). Local authority demographers and economists should be able to provide advice about which methods to use.

Migration-led forecasting

Conventional forecasting methods are 'migration-led' and allow different assumptions to be tested, including:

- trend based migration - these can be varied according to the data sets available and the length of time over which a trend is averaged before projection;
- zero-net migration - total inward flows are equal to total outward flows (although the population structure may change);
- natural change - assumes no migration is taking place and that changes in the population come about through natural causes only (births and deaths);
- static population - total population remains the same over the projection period (the rate of migration required to achieve this will be calculated); and
- policy-led - this could involve a mixture of approaches, for example, assuming a projected trend will decline after a number of years.

Housing-led forecasting

Housing-led forecasts consider future housing change in terms of the capacity of the housing stock within an area to accommodate forecast levels of future households. This is calculated from base numbers of dwellings and a forecast of building/demolition rates. As well as using completion rates to forecast population and household change, it is possible to use the average number of housing permissions granted to examine how recent trends in permissions could be extrapolated into the future.

While this may sound complex, in practice it should be straightforward but time-consuming.

Assessing forecasting models

There are some 'off-the-peg' models that can be used to forecast population and household growth that can be found via a search of the web. Some of these show how to calculate the relevant data for different migration assumptions (e.g. age-specific birth and death rates for natural change calculations). One example is the Excel based 'Popgroup' and 'Housegroup' model which can be purchased from the Centre for Census and Survey

Research, University of Manchester. They can also be commissioned to run bespoke projections.

Some local authorities in England already commission models which are variants of Communities and Local Government projection methodology. One example is the 'Chelmer model' run by the Population and Housing Research Group at Anglia Ruskin University. This differs from the methodology used in the General Register Office for Scotland household projections but provides household growth estimates down to district level that can be tested by varying inputs e.g. trend migration may be compared with zero net migration.

CHAPTER 5

Housing requirements of specific household groups

Introduction

It is important that partnerships take into account the housing needs of the communities that they serve. Gathering data and evidence about the needs of the different communities in Scotland and taking this into account will improve planning and housing policy and delivery.

Public bodies, including the Scottish Government and local authorities, are under a statutory duty to equality impact assess what they do on the grounds of gender, race, and disability. Scottish Ministers have also committed the Scottish Government to equality impact assessing on grounds of age, sexual orientation and religion and belief.

We know that different groups in Scotland can have different needs. These needs must be understood and planned for.

If there are uncertainties or concerns about the housing requirements of different groups of people in Scotland, partnerships should ensure that they have appropriate evidence, and undertake additional analysis where they do not. The Scottish Government has produced an Equality Impact Assessment toolkit, which partnerships may find helpful³⁹. Linked to Chapter 2, these issues may be identified as specific research questions for the assessment to address. In particular, partnerships will want to consider how well the housing market meets the needs of specific housing groups and how these needs are likely to change over time. Unlike previous Chapters, this Chapter does not set out a step by step approach since partnerships will need to select the analyses most suited to their research questions. Instead, this Chapter outlines some of the issues and approaches that they may wish to consider with respect to families, older people, households with specific needs, and minority and hard to reach groups.

³⁹ <http://www.scotland.gov.uk/Topics/People/Equality/18507/EQIA2>

Families

SPP3 recognises the importance of providing a range of house types, including homes for families, in the context of creating mixed communities. Chapter 3 of this guidance explains how partnerships can identify current numbers of families, including those with children, by analysing census data. The Census is the most comprehensive source of data in terms of families although it can become out of date at the very local level.

The household projections produced by the General Register Office for Scotland do not record the relationships between household members, but they do estimate the number of adults and children living in the household. This means that it is possible for partnerships to use these projections to estimate the likely future numbers of families with children.

In addition to the Census, there are various other data sources that can be used to understand the profile of families in housing market and local authority areas, including:

- Labour Force Survey;
- Scottish Household Survey; and
- Child Benefit information.

Chapter 6 explains how to assess current and future household need, which includes identifying the needs of family households.

Older people

SPP3 also recognises the need to provide housing for older people as part of achieving a good mix of housing, in the context of an ageing society. Chapter 3 of this guidance explains how partnerships can identify current numbers of older people by analysing Census data and from annual population estimates produced by the General Register Office for Scotland. The Census also captures data on the health status of older people. Despite being the most comprehensive source of data in terms of population, Census findings can quickly become out of date at the very local level. Chapter 4 of this guidance provides advice on using annual estimates of population in five year age bands at datazone level, published by the General Register Office for Scotland, and on ways of projecting likely future changes in the population, including changes in the age structure. In addition to these sources of information, other existing relevant data include:

- Scottish House Condition Survey;
- Labour Force Survey; and
- Scottish Household Survey.

In England, the Department of Health's Housing Learning and Improvement Network (LIN) has published an 'Extra Care Housing Toolkit'⁴⁰ for carrying out local studies which can inform strategies for accommodation and care for older people, set within a whole system of health, housing and social care. This assessment includes establishing the population size of older people, trends and indicators of potential need for services.

Within Scotland several demonstrator projects are being supported by the Scottish Government to facilitate whole system change in the provision of housing care and support for older people. It is expected that new analytical and planning tools will be developed on the basis of experience in these projects, which will help partnerships better assess demand and need in this area.

Partnerships may want to draw on any local studies and knowledge from the health and social care sectors that can inform the development of assessments of older people's housing needs.

Minority and hard to reach households

Households from particular social or ethnic groups can differ in terms of their housing or accommodation requirements. Working on a housing market area basis will mean that partnerships are likely to include a larger number of households from ethnic minority backgrounds in their assessments, which will strengthen their ability to understand the housing requirements of specific groups. However, 'gaps' in knowledge may still emerge.

Households are considered hard-to-reach if they are less likely than others to complete surveys or questionnaires, including national surveys such as the Census. This is likely to be the case for homeless households, migrant workers, private renters and households in shared accommodation such as students' halls of residence and army barracks. Other hard to reach households include those in non-brick and mortar accommodation such as caravans or barges, and households who do not read well in English whether as their first or second language.

Given the difficulty in accessing information on these groups from national surveys, it is likely that research at a local level will be more important. Qualitative research techniques will be particularly important in assessing any housing need issues of minority and hard to reach households.

Cultural issues can affect participation rates so partnerships should ensure that representatives from minority groups are involved in the assessment process. Local surveys can be undertaken, although partnerships should be aware that some sampling frames (e.g. the Council Tax register) can systematically exclude certain groups. Any findings should be treated as

⁴⁰http://www.integratedcarenetwork.gov.uk/library/Resources/Housing/Support_materials/Toolkit/ECH_Toolkit_Website_Version_Final.pdf

qualitative rather than necessarily statistically valid. Qualitative assessments of minority and hard to reach groups, especially where the numbers are relatively small, can include holding focus groups and interviews with representatives from the groups concerned. In some cases, background research may be required to establish which languages are spoken.

Good practice guidance on assessing housing needs of minority ethnic communities is contained in research and community profiles commissioned by Communities Scotland^{41 42}. In addition, several research projects from the 'Understanding Housing Markets' work stream for the Joseph Rowntree Foundation address issues around ethnic diversity in housing markets using housing pathway and case study methodologies. Advice about assessing the accommodation requirements of Gypsies and Travellers is set out in separate guidance⁴³ which is also relevant for the Scottish context.

Households with specific needs

All public authorities which provide social housing are required under the Disability Discrimination Act 2005 to identify the specific needs for their services of disabled people, to assess the extent to which their services meet those needs and to set out in their Disability Equality Scheme how any gaps in provision will be filled. Disability includes not only physical or sensory impairments but also mental health issues, learning disabilities and some specific long term illnesses, namely Cancer, HIV and Multiple Sclerosis

Some housing may need to be purpose built or adapted for households with specific needs. Such groups can include older people and those with mobility impairments, such as wheelchair users. Partnerships should be able to identify available and likely future housing stock using housing registers, strategic housing land availability assessments and other relevant management or administrative sources. Equally, for some households with specific needs the emphasis will be on support arrangements rather than specifically designed or adapted housing.

There is no one source of information about disabled people who require adaptations in the home, either now or in the future. The Census provides information on the number of people with long-term limiting illness. The Scottish Neighbourhood Statistics website includes information on people claiming Disability Living Allowance, Attendance Allowance, Incapacity Benefit or Severe Disablement Allowance. Whilst these data can provide a good

⁴¹ Developing good practice for effective community engagement and housing needs assessment for minority ethnic communities, Communities Scotland, November 2005 http://www.comunitiesscotland.gov.uk/stellent/groups/public/documents/webpages/pubcs_011709.pdf

⁴² Assessing the housing needs of minority ethnic communities in North Lanarkshire; Assessing the housing needs of Gypsies/Travellers in Falkirk, Communities Scotland, 2007 http://www.comunitiesscotland.gov.uk/stellent/groups/public/documents/webpages/cs_005903.hcsp

⁴³ *Gypsy and Traveller Accommodation Needs Assessments: Guidance*, Communities and Local Government, October 2007

indication of the number of disabled people, not all of the people included within these counts will require adaptations in the home. Applications for housing adaptation grants will provide an indication of levels of expressed need, although this could underestimate total need. Subsequently, partnerships may wish to consider undertaking interviews or focus groups with disabled people or disabled organisations to better understand their potential housing requirements.

Core Output 4

Based upon this section partnerships should be able to produce :

- an estimate of household groups who have specific housing requirements e.g. families, older people, minority ethnic groups, disabled people, young people, etc.

CHAPTER 6

Estimate of net annual housing need

Introduction

The first part of this Chapter explains how to estimate the number of current and future households in housing need⁴⁴. It then looks at the available stock and demand from existing affordable housing residents for different sizes of properties. In so doing, the approach outlines how to develop an evidence base that can inform decisions about a range of policy responses to housing need, including: impact on housing supply targets and targets for affordable housing, changing allocations policies and using the private rented sector.

As set out in Chapter 2, this approach assumes that secondary data will be used where appropriate and feasible. Partnerships will want to assess the quality of the data available to them and where information is unreliable, efforts should be made to either improve the secondary data or obtain information through other sources. Advice on the use of secondary data to help estimate housing need is provided in Annex B. Where there is no one authoritative source of data, the justification for estimated figures should be set out in a clear and transparent manner. Partnerships will wish to consider a range of outputs based upon different estimates⁴⁵.

For each of the stages listed below, this Chapter describes the steps that should be undertaken and recommends data sources/indicators.

Stage 1	Current housing need
Stage 2	Future housing need
Stage 3	Affordable housing supply
Stage 4	Bringing the evidence together

The framework outlines the minimum required to develop a robust understanding of housing need. Chapter 5 included information about how to assess the requirements of specific household groups. This should be taken into account in the assessment of housing need.

⁴⁴ Housing need refers to households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some assistance.

⁴⁵ Several recent studies provide examples of this type of 'sensitivity testing' e.g. Local housing need and affordability model for Scotland – Update (2005 based), Communities Scotland, November 2006.

Key Concepts

This section considers key concepts including: housing need, affordable housing, location of suitable housing, meeting housing need in situ and affordability.

Housing need

Housing need refers to households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some assistance⁴⁶. **For the purposes of assessment, this means partnerships need to estimate the number of households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market and those whose needs cannot be met in situ.** Those households lacking their own housing are listed in Table 6.1. The types of housing that should be considered unsuitable are listed in Table 6.2.

Table 6.1: households who lack their own housing

Homeless households or insecure tenure	Homeless households ⁴⁷
	Households with tenure under notice, real threat of notice or lease coming to an end; or in rent or mortgage arrears
Concealed household	Unrelated adults sharing a kitchen, bathroom or WC with another household but not sharing meals

Table 6.2: households living in housing that should be considered unsuitable

Overcrowding	Overcrowded according to the 'bedroom standard'
Support Needs	Households containing people with mobility impairment or other specific support needs living in unsuitable dwelling (e.g. accessed via steps)
Poor Condition	Lacks a bathroom, kitchen or inside WC
	Too difficult to maintain e.g. subject to major disrepair or unfitness
Harassment	Harassment from others living in the vicinity or risk of domestic violence

⁴⁶ This generally refers to assistance from the public sector but can include assistance that emanates from private sector sources such as discounted land (but not mortgage finance sourced in the market).

⁴⁷ To include all households accepted as homeless through statute by local authority and entitled to permanent accommodation.

Affordable housing

SPP3 Consultative Draft defines affordable housing as ‘housing of a reasonable quality that is affordable to people on modest incomes’ and provides more details of the different categories of affordable housing. These are broadly designated as social rented, subsidised low cost housing for sale (discounted, shared ownership or shared equity) and low cost housing without subsidy (entry level housing for sale). Private rented accommodation available at lower cost than market rents (mid-market rent) should also be considered within the affordable housing category. The term intermediate housing product has been used in this guidance to cover all types of affordable housing which are not social rented.

Intermediate affordable housing

Housing for low cost home ownership

As set out in PAN 74, housing for low cost home ownership may be important in helping people on low incomes who wish to own their own home but cannot afford to pay the full price for a house. It is also important in the context of creating mixed communities. Partnerships will want to assess whether there is demand for low cost home ownership in terms of the relationship between entry-level market house prices, market rents and incomes. Some forms of low cost home ownership may be for specific types of households in need who are judged eligible.

Mid market rented housing

A number of registered social landlords, through specialist affiliates or subsidiaries, already offer houses for mid-market rent. These houses are often built alongside, or part of, new private development, generally in urban areas. At present the Scottish Government does not currently subsidise registered social landlords to build such properties. Firm Foundations sets out proposals for registered social landlords to receive subsidy for houses that they build for mid market rent (i.e. at levels between full market rent and normal social rents).

The requirement for intermediate affordable housing

To estimate potential requirements for intermediate affordable housing, partnerships should assess whether households in housing need can afford the costs of existing or planned intermediate affordable housing products (for which they should normally be eligible). Some households currently in social rented housing or waiting to access it may well be able to afford to buy a share of a home. If helped into intermediate affordable housing, this will free up social rented homes for those in acute need and reduce waiting lists. The proportion of intermediate affordable housing could be increased if there is evidence that some will be used to accommodate existing social sector tenants who, although not in housing need, would release a social rented unit by moving into such housing.

The location of suitable housing

Since house prices vary between different locations, decisions about where a household should be able to live will affect estimates of housing costs. Issues that affect judgements about where a household should be able to live may vary between housing market areas.

In some areas, it may be reasonable to assume that households should be able to buy or rent in an adjoining housing market or local authority area. In other areas, this may not be reasonable and property prices should be averaged for separate areas. There may be reasons why it is preferable to look below local authority level (e.g. to examine urban and rural areas separately). However, household income data is rarely robust at this level. Judgements about suitable locations should be informed by evidence.

Meeting housing need in situ

There are many types of housing need defined in this Chapter, some of which can be resolved within a household's current accommodation. For example, an extension or loft conversion may solve overcrowding; equity release may allow a household to repair their property; proactive management may resolve harassment; or housing adaptations may resolve mobility issues. While there may not be data for this, partnerships will need to consider their policy responses to meeting housing need.

Affordability

The relationship between household incomes and housing costs was considered in Chapters 3 and 4 to identify the extent to which affordability is, and is likely to continue to be, an issue for housing market and local authority areas. The housing need and demand assessment uses household incomes and entry level house prices to estimate need for affordable housing. This involves:

- assessing whether current households who are in unsuitable housing can afford suitable market housing; and
- applying affordability tests to the incomes of newly forming households to establish the numbers who are likely to be in need of affordable housing.

It is not necessary to use the affordability measures to test whether households can afford their existing accommodation. Only those in arrears or in receipt of housing benefit should be regarded as in housing need, on the grounds that their accommodation is too expensive. Otherwise, it should be assumed that households are managing to afford their existing housing.

Income

Gross household incomes should be used to assess affordability. Benefits should be excluded from this as housing benefit is only paid to households who would otherwise be unable to afford their housing and other benefits are often intended to meet specific needs rather than housing costs (e.g. disability living allowances). If the data are available, working tax credits can be included as they are received by substantial numbers of low and middle-income households who may be on the margins of affordability.

Test 1 – Assessing whether a household can afford home ownership

A household is considered able to afford to buy a home if it costs up to 3.5 times the gross household income for a single earner household or 2.9 times the gross household income for dual income households. Partnerships will need to consider that what is affordable may vary (e.g. a higher proportion may be affordable for someone on a higher income). Local circumstances could justify using different proportional figures, other than those stated above. If known, the incomes earned by adults (other than the household reference person and their partner) should not be included as these household members are likely to move out within the timescale of a mortgage. Where possible, allowance should be made for access to capital that could be used towards the cost of home ownership.

Test 2 – Assessing whether a household can afford market renting

A household is considered able to afford market renting in cases where the market rent payable would constitute no more than 25% of their gross household income. 'Market Rent payable' is defined as the entire rent due, even if it is partially or entirely met by housing benefit. Other housing-related costs, such as council tax and utility bills should not be included. As in the case of assessing home ownership, housing market partnerships will need to consider that what is affordable may vary (e.g. a higher percentage may be affordable for someone on a higher income). Local circumstances could justify a figure other than 25% of gross household income being used.

Tests 1 and 2 will identify households in housing need who cannot afford to meet their needs in the market. A second set of tests will be required to identify households who cannot afford to meet their needs in the market but could afford intermediate options.

Test 3 – Assessing whether a household can afford intermediate affordable housing

A household is considered able to afford to buy a home if it costs up to 3.5 times the gross household income for a single earner household or 2.9 times the gross household income for dual income households. Partnerships may have evidence from recent intermediate developments on realistic prices for this type of product. Partnerships will need to consider that there may be a range of prices depending on the type of product and it is recommended that

they undertake scenario testing. If known, the incomes earned by adults (other than the household reference person and their partner) should not be included as these household members are likely to move out within the timescale of a mortgage. Where possible, allowance should be made for access to capital that could be used towards the cost of home ownership.

Mortgage outgoings can be calculated from the overall size of the mortgage and current mortgage interest rates. Example 6.1 describes the income level required to afford a shared equity property.

Example 6.1: income level required to afford a shared equity property

A shared equity scheme enables a household to purchase between 60% and 80%* of a property valued, in this case, at £120,000.

The household comprises a couple with a joint annual income of £30,000 which they could put towards a mortgage.

They also have personal savings of £9,000, of which they may retain £5,000, and contribute 90% of the £4,000 balance.

The maximum mortgage that the couple can secure is £87,000 based on multiple of 2.9 times earnings.

This sum, together with their savings of £3,600, means that they can contribute £90,600 towards the purchase of the property.

In this example, this would give the couple a 75% equity stake in the property.

* The purchase of 51% of a property may be available in particular circumstances

Test 4 - Assessing whether a household can afford mid market renting

A household is considered able to afford mid market renting in cases where the mid market rent payable would constitute no more than 25% of their gross household income. 'Mid Market Rent payable' is defined as the entire rent due, even if it is partially or entirely met by housing benefit. Other housing-related costs, such as council tax and utility bills should not be included. Partnerships will need to consider and evidence what will be a realistic mid market rent. It is recommended that they undertake scenario testing.

Stage 1: Current housing need

Partnerships need a good understanding of the scale of current housing need, including any backlog, at the housing market area level. Robust information is available in respect to the components of backlog and key priority groups. Local authorities should hold reliable data about the number of homeless households, those in temporary accommodation and the extent of

overcrowding. Partnerships should calculate a range of estimates for backlog, with the data sources that are most robust providing a minimum level estimate. Partnerships will need to be careful to avoid double counting and should clearly state the assumptions used in arriving at this estimate. Using a single data source will help. The Scottish Household Survey will be particularly useful in this regard. Where backlog is a particular issue, partnerships may wish to use additional methods and sources to develop these estimates. Partnerships should aim to ensure that the definition of component categories is applied consistently across the housing market area as far as is possible. Current housing need should be calculated as need existing prior to the assessment (backlog).

The research questions for this stage of the assessment are:

- What is the total number of households in housing need currently who cannot afford to meet their own needs in the market and whose needs cannot be met in situ?
- What are the key characteristics of their unmet need?

Table 6.3 below sets out examples of data sources that can be used to estimate the number of different groups of households in housing need.

Table 6.3: summary of data required for each step of Stage 1	
Step	Data items
1.1 Homeless households and those in temporary accommodation	HL1 – Homelessness Statistics Electronic Data Capture System; households in temporary accommodation.
1.2 Concealed households	Census, Local House Condition Survey, Local Housing Registers, Scottish Household Survey
1.3 Overcrowding	Census, Scottish Household Survey, Scottish House Condition Survey or Local House Condition Survey, Local Housing Registers
1.4 Support needs	Local Housing Registers, local authority and RSL transfer lists, resettlement programmes
1.5 Poor Quality	Scottish House Condition Survey or Local House Condition Survey, SHQS Standard Delivery Plan
1.6 Harassment	Local authority or police records
1.7 Total current housing need	1.1 + 1.2 + 1.3 + 1.4 + 1.5+ 1.6

Step 1.1: homeless households and those in temporary accommodation

Data issues

Local authorities will hold up to date information about the number of homeless households and those currently housed in temporary accommodation. A range of housing options is increasingly becoming available to homeless households and local authorities may have access to additional data through these schemes.

Homeless data will include households who currently experience insecure tenure e.g. threatened notice or rent or mortgage arrears. It is acknowledged that households in this situation coming through the homeless route have probably explored all other options.

Partnerships may wish to consider the profile and source of homelessness in the housing market area, drawing on information about the household, reasons and living circumstances prior to presenting as homeless and postcode of last settled address recorded in the HL1 Homeless Electronic Data Capture statistical return. They will also want to consider the range of household types that are currently housed in temporary accommodation.

Partnerships should consider the impact on their estimates of possible double counting of households in different categories of housing need. For example, households presenting as homeless whose current accommodation is living with family or friends may have been recorded as a concealed or overcrowded household in different data sources. From 2007/08 the HL1 identifies homeless or potentially homeless households who are also on a council or registered social landlord waiting list.

Analysis

Partnerships should record current estimates and past trends where available⁴⁸.

It is recognised that income data will be difficult to find for this group. Examination of past trends in homeless outcomes will provide an indication of how many households may be able to resolve their housing needs in the market sector. It can be assumed that homeless households do not have an in situ solution.

⁴⁸ If household survey data is being combined with secondary data for this section it is important that all households that could have been included within the survey during the survey period are excluded from the homelessness figures.

Step 1.2: Concealed households

Data issues

The Census provides figures on concealed households. Concealed households include unrelated adults sharing a kitchen, bathroom or WC with another household but not sharing meals. Some information is available from the Scottish Household Survey although sample numbers are very small. Local authorities may also have information from local housing surveys or HMO licensing officers or other private renting staff may be aware of households in unlicensed HMOs which are being investigated.

Partnerships should consider ways to reduce the likelihood of duplication with homelessness and overcrowding data. For example, they may wish to only include concealed households in the private sector. Wherever possible the same data source should be used for concealed and overcrowded households.

Analysis

Partnerships should record an estimate of the number of concealed households and apply the affordability test described in this Chapter to establish those households who cannot afford suitable housing in the market. Where possible, it is useful to create separate estimates for the social rented sector and the private sector.

Step 1.3: over-crowded households

Data issues

The Census provides figures on over-crowding (see Chapter 3). Where the Census is out of date, its data can be compared to trends in data from the Scottish Household Survey at local authority level. Local authorities should also have local information on trends from local housing registers.

Partnerships should make informed estimates based on household types and regional or national income estimates. Wherever possible the same data source should be used for concealed and overcrowded households to avoid duplication.

Analysis

Partnerships should record an estimate of the number of households in over-crowded housing. Where possible, it is useful to create separate estimates for the social rented sector and the private sector. Partnerships should consider levels of double counting between these two groups.

The Scottish Household Survey has information about the income levels of households in overcrowded accommodation at a local authority level.

Partnerships can make assumptions about how this relates to housing market areas based upon information regarding the differences in incomes for all households at a regional and local level. Using this information partnerships should apply the affordability test, described in this Chapter to establish those households who cannot afford suitable housing in the market.

Step 1.4: Support Needs

Data issues

Housing registers and local authority records may be used to provide information about the number of existing affordable housing tenants with support needs (i.e. households currently housed in unsuitable dwellings); and the number of households with support needs from other tenures.

When using registers, care should be taken to avoid double-counting households registered on more than one list.

Analysis

Considerable care should be taken to avoid double counting with households identified in previous steps, and to include only those households who cannot afford to access suitable housing in the market or who cannot have their needs met in situ.

Step 1.5 Poor Quality

Data Issues

The Scottish House Condition Survey and Local House Condition Surveys will provide information on housing disrepair. Sample sizes may be too small to provide estimates below regional level. If no local data exists it may be necessary to make local judgements based on national estimates.

Analysis

Analysis of house condition survey data may provide an indication of the proportion of households whose home is in disrepair and could afford to meet their needs in the market or address their needs in situ. Considerable care should be taken to avoid double counting with households identified in previous steps.

Step 1.6 Harassment

Data Issues

Local authority and police records may help to identify incidences of harassment over a period of time. These should be used to estimate the prevalence of harassment.

Analysis

It is recognised that income data will be difficult to find for this group. The partnership may have specific policies to try to resolve harassment in situ. Examination of past trends in rehousing requirements may provide an indication of how many households require assistance to resolve their housing needs.

Step 1.7 total current housing need

Analysis

This is the sum of the numbers of households identified in steps 1.1-1.6 as shown in Table 6.4.

Table 6.4 total current housing need		
For each step 1.1 to 1.6 add the results for each category	Households in need	x
	Number resolved in the market	y
	Number resolved in situ	z
	Current Housing Need (cn)	$x - (y+z)$

Stage 2: Future need

Partnerships need to estimate the scale of newly arising need in the housing market area. Whilst it may be desirable to undertake more localised assessments there are limits to the accuracy and robustness of essential data at smaller scales.

The key research question is:

- How many newly arising households are likely to be in housing need each year?

Table 6.5: summary of data required for each step of Stage 2	
Step	Data items
2.1 New household formation (net change)	Census, General Register Office for Scotland (from Chapters 3 and 4)
2.2 Proportion of new households unable to buy or rent in the market	Entry level rents/property prices identified in Chapter 3, Mortgage lenders, local authority/RSL databases
2.3 Existing households falling into need	Housing register, local authority/RSL data, tenants surveys
2.4 Total newly arising housing need	$(2.1 \times 2.2) + 2.3$

Step 2.1: new household formation (net change)

Data issues

Population and household headship rates are available from the Census and for post-Census periods, population mid-year estimates are available from the General Register Office for Scotland. Household numbers or headship rates are also available from the General Register Office for Scotland household projections and estimates. This information should have been gathered for the analyses in Chapters 3 and 4.

Analysis

Partnerships should use household projections as set out in Chapter 4 to estimate net change in household numbers on an annual basis over a period of at least 20 years.

Where forecasting has been used to consider total future demand as set out in Chapter 4, estimates of household change can be created based upon a range of assumptions about migration and household change.

Step 2.2: proportion of newly forming households unable to buy or rent in the market

Data issues

This step uses information collected about housing costs, as set out in Chapter 3. It is important that the analysis considers the difference in income between all households and newly forming households. Useful sources include data from mortgage lenders for first time buyers and SCORE for those renting from registered social landlords.

Analysis

Partnerships will need to identify the minimum household income required to access entry level (lower quartile) market housing. Partnerships should use current costs, and may also wish to calculate a range of scenarios based on for example, a 10% and 20% increase in house prices. To assess what proportion of newly forming households will be unable to access market housing, these minimum incomes need to be compared against the distribution incomes for newly-arising households. In areas where significant demographic or economic change is anticipated, partnerships will also want to consider additional factors such as the income profiles of international migrants and asylum seekers.

Partnerships should also consider households' access to capital, although information about current access to capital is often not readily available.

Possible data sources include local surveys, relevant national research⁴⁹, or information from mortgage lenders about the levels of deposits offered by households buying at the lower quartile.

Step 2.3: existing households falling into need

Analysis

Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless households applicants). Where the housing register is not considered a robust reflection of these issues, partnerships should consider other sources such as social tenant's applicant surveys. Partnerships should take considerable care to eliminate double counting with households in current housing need and through new household formation. Partnerships should also recognise that a proportion of households falling into need will vacate a property when their housing need is addressed.

Step 2.4: total newly arising housing need

Analysis

This involves multiplying step 2.1 (newly forming households) by step 2.2 (the proportion unable to afford market housing). The output should then be added to step 2.3 (existing households falling into need) to give an annual gross figure for future households in need.

Table 6.6 total newly arising housing need	
New household formation	a
Proportion unable to buy or rent in the market	b
Existing households falling into need	c
Total newly arising housing need (nan)	nan = (a x b)+c

Stage 3: Affordable housing supply

The aim of this part of the guidance is to estimate future levels of supply of affordable housing. Unlike previous guidance, this guidance recognises that there may be current housing stock that can be used to accommodate households in immediate need at the point of assessment. This figure is calculated so that at a later stage it can be subtracted from the backlog of housing need estimated at Step 1.7 to give a net figure for backlog. There is also annual future supply from existing and new affordable housing.

⁴⁹ Local housing need and affordability model for Scotland – Update (2005 based), Communities Scotland, November 2006. Annex C of this publication presents evidence on wealth, savings and deposits.

The research questions for this stage of the assessment are:

- What is the level of existing stock available to meet housing need?
- What is the level of future annual supply of affordable housing?

Existing stock available to meet housing need

Table 6.7 outlines the data required in relation to existing housing stock available to meet housing need. Data for Steps 3.1 to 3.4 should relate to the 12 month period around when the assessment is produced⁵⁰.

Table 6.7: summary of data required to calculate existing affordable housing stock available to meet housing need	
Step	Data items
3.1 Affordable dwellings occupied by households in need	Housing Register, local authority and RSL transfer lists, Over-crowding data
3.2 Additional supply associated with reducing void levels	Local authority and RSL records
3.3 Planned supply of new affordable housing	Development programmes of affordable housing providers (RSLs, developers, local authorities) and intermediate housing products, Section 75 agreements
3.4 Units to be taken out of management	Demolition and conversions programmes of local authorities and RSLs
3.5 Total affordable housing stock available to meet housing need	3.1 + 3.2 + 3.3 – 3.4

Step 3.1: affordable dwellings occupied by households in need

Analysis

Partnerships should assess the figures identified in step 1.3, 1.4 and 1.6 in this Chapter, which is households that are overcrowded; with support needs; or experiencing harassment, to estimate the number of dwellings that could be vacated within the affordable sector by current occupiers that are fit for use by other households in need. This is an important consideration in establishing the *net* levels of housing need as the movement of these households within affordable housing will have a nil effect in terms of establishing overall housing need.

⁵⁰ Partnerships may prefer to use financial years or calendar years depending on the basis of their data. It is important that the same 12 month period is used for all of the steps.

Step 3.2: additional supply associated with reducing void levels

Data issues

Partnerships should use the information about vacancies as set out in Chapter 3.

Analysis

A certain level of voids is normal and allows for transfers and works on properties. However, if the rate is in excess of approximately 3% of the total stock and properties are vacant for considerable periods of time, these should be counted as additional supply. (Planned demolitions should be excluded from this calculation as they are dealt with separately in Step 3.4 below)

Step 3.3: planned supply of new affordable units at the point of the assessment

Data issues

Local authorities will have information about new (i.e. new build and conversions) social rented and intermediate affordable dwellings which are expected to be provided at the point of the assessment. This would include dwellings provided with subsidy and those delivered without subsidy through Section 75 agreements. Partnerships should take care to avoid double counting between these two categories. Any replacement housing associated with demolition schemes should also be included here.

Analysis

Partnerships should record the number of planned affordable housing units with size information where this is known.

Step 3.4: units to be taken out of management

Data issues

Local authorities and registered social landlords should have information about planned demolitions that will lead to net losses of stock (and households in need of re-housing). Any empty properties that are due for demolition must be taken out of the overall calculation of stock as they will not be available to meet need.

Analysis

Partnerships should estimate the number of affordable housing units that will be taken out of management. It should not include right to buy sales as local authorities are not required to re-house these households.

Step 3.5: total affordable housing stock available to meet housing need at the point of the assessment

Analysis

This is the sum of steps 3.1 (dwellings currently occupied by households in need that could be vacated and used by other households), 3.2 (additional supply associated with reducing void levels) and 3.3 (planned supply of affordable housing at the point of assessment); minus 3.4 (units to be taken out of management).

Future supply to meet housing need

Table 6.8 outlines the data required in relation to future annual supply of affordable housing⁵¹.

Table 6.8: summary of data required to calculate future annual supply of affordable housing	
Step	Data items
3.6 Annual supply of social re-lets (including annual supply of re-lets associated with steps 3.1 and 3.2) and new lets associated with annual new build programme	Lettings/voids system for providers, local authorities and RSLs, APSR and SCORE data for RSLs, Housing Statistics for Scotland web tables
3.7 Annual supply of intermediate affordable housing available for re-let or resale at sub market levels and new supply associated with annual new build programme	Local authority, RSL and other providers' lettings/voids system, APSR and data on re-lets and re-sales of intermediate affordable housing products.
3.8 Annual number of units to be taken out of management (excluding those counted in Step 3.4)	Local authority and RSL data (e.g. Standard Delivery Plans)
3.9 Annual future supply of affordable housing	$3.6 + 3.7 - 3.8$

⁵¹ Partnerships should ensure that there is no double counting between the figures produced in table 6.7 and 6.8

Step 3.6: future annual supply of social re-lets and new lets

Analysis

Partnerships can calculate this on the basis of past trends. Generally, the average number of re-lets over the previous three years should be taken as the predicted annual level, though partnerships should take into consideration additions to re-lets as a result of reducing void levels (step 3.2 in this Chapter). This should not include transfers of tenancies to other household members - only properties that come up for re-let to a new household should be counted. In areas where the stock base of affordable housing is changing substantially (e.g. due to high levels of right to buy, substantial new stock being built, private landlords becoming less willing to let to social tenants), it may be appropriate to take into account the changing stock base when predicting the levels of future re-lets.

Step 3.7: future annual supply of intermediate affordable housing

Analysis

The number of units that come up for re-sale should be available from local operators of intermediate housing schemes. Partnerships should identify only those properties within the definition of affordable housing as set out in SPP3 and PAN 74. They should not include properties that are no longer affordable e.g. social rented homes bought under the right to buy, shared equity/ownership homes where the purchaser has entirely bought out the landlord's share ('staircasing out'). Homes may however be 'bought back' as affordable housing by a social landlord, or the money received by the landlord can be used to fund future shared equity schemes through the recycling of capital grant. These units will be counted under the supply of new affordable housing (step 3.3 in this Chapter). Partnerships may operate other schemes, such as private sector leasing or mid market rent. Where these schemes provide permanent affordable housing, re-lets should be included in this section.

Step 3.8: units to be taken out of management

Data issues

Local authorities and registered social landlords should have information about planned demolitions that will lead to net losses of stock (and households in need of re-housing). Any empty properties that are due for demolition, over the assessment period, must be taken out of the overall calculation of stock as they will not be available to meet need.

Analysis

Partnerships should estimate the number of affordable housing units that will be taken out of management. It should not include right to buy sales as local authorities are not required to re-house these households. This can either be totalled and divided equally over the years or can be identified for each year.

Step 3.9: future annual supply of affordable housing units

This is the sum of 3.6 (social rented units) and 3.7 (intermediate affordable housing units) minus 3.8 (units to be taken out of management).

Stage 4: Bringing the evidence together

The evidence gathered in stages 1-3 in this Chapter will provide an insight into housing need and available affordable housing stock. Partnerships will need to consider how the evidence gathered through the different steps in this Chapter relates to each other. In addition, there is a need to consider this in relation to the evidence drawn together regarding the whole housing market in Chapter 4 and the housing needs of specific groups in Chapter 5.

The research questions for this stage of the assessment are:

- What is the total number of households in need (net annual estimate) or estimated range?
- What are the key issues for future policy/strategy?

This stage of the assessment will require partnerships to interpret the collected data. All assumptions should be presented and justified in a form which is clear and transparent. Whilst there is no one simple way of analysing the relationships between the various indicators, the section below sets out the key steps that should be undertaken as a minimum.

Step 4.1: estimate of net current housing need

Rationale

If information about housing need and housing supply is converted into annual flows (i.e. the number of households per year) over a prescribed period, it can be used to establish an aggregate estimate of net housing need. These calculations are undertaken on the assumption that there is a one-to-one relationship between households and dwellings.

Analysis

The total net current need is calculated by subtracting total available stock (Step 3.5) from total current gross housing need (Step 1.7), assuming a one-to-one relationship between households and dwellings.

Table 6.9 Calculating net current housing need

Current housing need (see Step 1.7)	cn
Total affordable housing stock available to meet housing need in the 12 month period around when the assessment is produced (see Step 3.5)	Step 3.5
Net current housing need in the 12 month period around when the assessment is produced	$ncn = cn - (\text{Step 3.5})$

Step 4.2: estimate of net annual current need

The net figure derived should be converted into an annual flow using assumptions about the number of years that will be taken to meet this need. Levels of unmet need are unlikely to ever fall to nil given that peoples' housing circumstances change and there will always be households falling in and out of housing need. The quota should be based upon meeting need over a period of ten years, although longer timescales can be used depending on the circumstances faced by individual local authorities and the different tools at their disposal to address need. For the component of need derived from existing affordable housing tenants, partnerships could estimate the proportion that are expected to be re-housed based on previous allocations. Whilst the decision is the responsibility of individual local authorities, partnerships should bear in mind the need for comparability. Where a ten-year period is used, this means that 10% of current unmet need should be addressed each year. The output of this should be an annual quota of households who should have their needs addressed.

Step 4.3: estimate of net annual housing need (adding current and future need and subtracting annual supply)

The net annual housing need is calculated by first, summing the annual quota of current need (calculated at Step 4.2) to the annual newly arising housing need figure (calculated at Step 2.4) and second, subtracting the future annual supply of affordable housing (Step 3.9) from this total. A negative figure implies a net surplus of affordable housing.

Table 6.10 summarises these steps.

Table 6.10 net annual housing need		
	Source	Calculation
Net current need	Step 4.1	Total current need minus total current availability
Annual current need	Step 4.2	Net current need divided by the number of years over which the backlog will be dealt with
Annual newly arising need	Step 2.4	(nan in Table 6.6)
Total annual need	Step 4.2 + Step 2.4	Annual current need plus annual future need
Total annual supply	Step 3.9	
Net annual housing need		Total annual need minus total annual supply

Step 4.4: key issues for future policy/ strategy

Rationale

The estimate of net annual housing need from step 4.1 assumes a one-to-one relationship between households in need and dwellings. In reality, however, this relationship is much more complex. For example, households in need may choose to share dwellings or choose market options that would be classified as 'unsuitable'. In addition, if overcrowding is an issue, building one new larger property could help to resolve the needs of several households as households "move up" through the system into larger properties. The information about net need and the resulting housing requirement should therefore be presented with evidence from the other stages of the needs assessment to inform decisions about appropriate policy interventions. Specific issues are noted below.

Patterns of existing demand for affordable housing, pressured areas and areas of low demand for particular house sizes, types and locations will be important in determining the future shape and make-up of housing provision.

Partnerships should focus on gathering information about actual household behaviour and choices made. Subsequently, housing and planning policy leads may also want to take into account households' aspirations with regard to housing but these are not explored here.

Affordable housing includes a range from social rented housing to various home ownership and rented properties. Different profiles of affordable stock exist in different parts of Scotland. It is important in this section to consider whether there is an adequate choice across different types of affordable housing to meet the range of needs identified in this Chapter.

Although traditional views of affordable housing markets are that they are small and localised it is important to consider this issue as part of the assessment. Many allocation systems reinforce a pattern rather than promoting maximum choice.

Some households in need may choose to live in the private rented sector (possibly with the use of housing benefit). Firm Foundations⁵² sets out proposals to create an environment where the private rented sector can play a greater role in meeting local housing need. Local authorities are now engaging with the sector to take a more strategic view of the private rented sector's role in meeting housing need locally. Information about whether requirements can be met in the private rented sector is therefore an important component of the evidence base, particularly in terms of developing policy responses.

The research questions for this part of the assessment are:

- What choices do households have within the existing affordable housing stock ?
- What are the requirements for different sized properties?
- How is the private rented sector used to accommodate housing need?

The data and steps for this part of the assessment are set out in Table 6.11.

Table 6.11: summary of data required for each step of stage 4	
4.4.1 Choices within the existing affordable housing stock	Choice Based Lettings, Tenants surveys, Turnover rates from Chapter 3, SCORE
4.4.2 Requirements for affordable housing of different sizes	Housing Register, Vacancy and Turnover rates from Chapter 3, General Register Office for Scotland household projections
4.4.3 Private rented sector	Housing benefit records, HMO licensing records, Private landlord registration data

Step 4.4.1 choices within the existing affordable housing stock

Data issues

Choice-based systems are an important means of revealing the criteria which affect household choices. For example, some households may be willing to accept housing that is some distance from where they currently live in return for more space. Housing turnover information (see Chapter 3) relating to different property types, sizes and locations is a good indicator of need. However, in some cases the data may reflect the allocations systems.

Information about existing affordable housing tenants is available from landlords, tenants surveys, the Census, or local surveys. SCORE provides

⁵² Firm Foundations: the Future of Housing in Scotland, Scottish Government, 2007

detailed information for housing association tenants in relation to new tenancies and this will eventually be extended to the local authority sector. Some authorities use management organisations to update information on tenant characteristics.

Analysis

Partnerships should consider all households in need, including those currently outside the affordable housing sector. Partnerships can supplement this information with the insight and expertise of key stakeholders who have a clear understanding of recent trends e.g. neighbourhood housing managers. In areas of low demand, partnerships will need to examine requirements for different size, types and location of affordable housing in more detail. Partnerships may consider qualitative methods such as focus group discussions to understand the issues and choices being made in an area.

Step 4.4.2 requirement for affordable dwellings of different sizes

Data issues

It is possible to obtain an estimate of the relative pressure on different property sizes based upon housing register data. Factors to consider include:

- the number of households waiting for each property size relative to the turnover rates of each size;
- the length of time households are waiting for each property size;
- the annual rates of households of different sizes joining the register; and
- vacancy levels and turnover rates of different property sizes.

Analysis

From the above information, partnerships should identify the sizes of affordable housing properties that are under most pressure. In addition, partnerships may wish to consider the implications of any national and regional research about changing demographic and household profiles.

Step 4.4.3: the private rented sector

Data Issues

To better understand how this sector is used to accommodate need, partnerships will have to bring together information from various sources. Local authorities will hold information about the use of housing benefit within the private rented sector. Further information on the sector is available from private landlord registration data and, specifically, about the prevalence of households in multiple occupation from HMO licensing. Partnerships can undertake focus groups or surveys with key tenant groups in the sector (e.g. young professionals) to understand what they see as their housing options.

Where appropriate, partnerships will want to work with Higher Education Institutions and other partners, such as community groups and groups representing migrant workers, to consider future demand for HMO accommodation for students and other tenants, such as migrant workers, and to plan how best that need should be met.

Research commissioned by Communities Scotland on the collection and provision of private rented sector information is available on the Communities Scotland website⁵³.

Analysis

Partnerships should bring together the information they have to summarise the key findings. Gaps in the data should be clearly acknowledged.

Core Outputs 5 and 6

Based upon the stages set out in this Chapter, partnerships should be able to produce a range which provides:

- an estimate of current number of households in housing need;
- an estimate of future households requiring affordable housing;

⁵³http://www.communitiesscotland.gov.uk/stellent/groups/public/documents/webpages/pubcs_009005.pdf

CHAPTER 7

Joining up across the assessment

Rationale

Partnerships should have a good understanding of the current key drivers and relationships within the housing market and a view on how these could shape future change in housing demand, based on analysis as set out in Chapter 3 and 4. The evidence gathered through Chapters 5 and 6 on current and future housing need will have been considered in the light of that analysis to arrive at an understanding of the housing need and demand in all housing sectors – owner occupied, private rented and affordable. From this understanding of both demand and need partnerships will be able to arrive at a housing supply target, which will inform housing land allocations in the development plan.

Analyses

The key questions for partnerships to consider are:

1. How does the estimate of future annual change in the total number of households compare with the partnership's aspirations and views on economic and population growth?
2. Is there any evidence of imbalance in the housing system and what policy interventions may be needed to correct this?
3. What options are available for addressing each of the different types of need for the different types of household estimated to be in need?
4. What is the scope for the private rented sector to assist in meeting identified need and demand?
5. How does the net annual need figure compare to the estimate of total number of households?
6. How does the assessment of housing need and demand at housing market area level translates into housing supply targets and housing land allocations at local authority level?
7. What are the implications for housing supply targets and land allocations if both need and demand is addressed at housing market level?

Core Outputs 7 and 8

Based upon the analysis of evidence gathered in the assessment, partnerships should be able to produce a range which provides:

- an estimate of future households requiring market housing
- an estimate of future households requiring either affordable or market housing

CHAPTER 8

Monitoring and updating housing need and demand assessments

This Chapter outlines how the findings of housing need and demand assessments should be monitored and updated on a regular basis.

The approach to planning for housing set out in SPP3 requires planning authorities to have regard to housing market areas and market information when developing policies in development plans. To this end, they will need to regularly monitor trends and activities in housing market and local authority areas reflecting the 'plan, monitor, manage' approach to planning for housing. Monitoring should be undertaken on a continuous, pro-active basis as set out in local housing strategy guidance.

Partnerships will want to consider developing comprehensive strategies for monitoring housing market areas and updating housing need and demand assessments. These monitoring activities should be linked to the existing requirement for monitoring. These should contain information on the extent to which the policies set out in development plans are being achieved. Based upon these reports, local authorities should consider the need to revise their planning policies. A coordinated approach to monitoring within partnerships will help to ensure the most efficient use of resources and expertise.

Housing need and demand assessments provide a robust basis for developing housing and planning policies by considering current and future housing need and demand over the longer term. This suggests that partnerships should not need to undertake comprehensive assessment exercises more frequently than every five years although they should be updated regularly. Particular aspects which may require frequent revision include the numbers of households that have need and demand for housing and movements between tenures, including through the right to buy.

It is important that partnerships recognise the difference between monitoring and updating housing need and demand assessments. Monitoring is concerned with establishing what is happening now and what may happen in future. It then compares these trends against existing policies and targets to determine what needs to be done. Updating is a continual process of tracking short-term changes in housing market conditions. Partnerships should select appropriate key housing market indicators for regular reporting in local housing strategy updates.

Need and Demand Guidance

Annexes

Working with consultants

Starting out

The guide assumes that through effective partnership working, housing market partnerships should be able to undertake much of the assessment in-house. However, there may be instances where a lack of in-house resource, time or expertise means that components of the assessment need to be commissioned to contractors. The housing market partnership will need to decide at the outset what work they can carry out in-house and whether there is any work they wish to commission.

The partnership should oversee any procurement process for commissioned research projects, and maintain full ownership over all parts of the assessment. Developers can have an important input into assessing housing need and demand and, as set out in Chapter 2, they may be represented on the partnership. However, if developers contribute money for parts of the assessment there is potential for a conflict of interest. Partnerships should ensure transparency and clear lines of accountability for any commissioned work.

For commissioned work to be useful, the objectives and work programme will need to be established clearly. It is good practice to write a project specification whether or not the assessment is to be commissioned externally. The specification should clearly set out the objectives of the work and describe the work programme and required outputs. Partnerships should produce additional specifications of requirements for the part/s of the assessment that they wish to put to tender. To set an appropriate work programme and maintain full ownership of the assessment, partnerships will require basic skills and knowledge in research methods, statistics and data management. In some cases this may require staff training.

The amount of work involved for the partnership should not be underestimated even if a consultant is used. The main time commitments in relation to a commission are likely to include:

- designing the specification;
- short listing and interviewing prospective contractors;
- agreeing the overall approach;
- providing advice and information to stakeholders and research participants;
- co-ordinating data production from internal sources for the contractor;
- discussing interpretations of the data and findings;
- overseeing the production of the report; and
- learning how to use the data provided to look at new issues that arise and to monitor and update the assessment.

Typically, consultants will require access to local authority data systems such as Housing Registers and the council tax register. The partnership should ensure early on that obtaining access to key data sources will not hold up the research. In addition, they should ensure that there will be no data protection or commercial restrictions on the storage and sharing of data used in the assessment.

Procurement

General advice on procurement is available from the Audit Commission. Specific advice on housing research can be found through literature searches⁵⁴.

There are a number of academic and non-academic consultants with experience of housing needs assessments. Partnerships should ask at least three consultants to tender for the project. The partnership may be able to improve the number of bids they receive and the quality of the proposals by ensuring that the specification is clear and offers realistic timescales. To do this the partnership will need to be clear about the research questions, methods to be used and the geographic level at which they require information.

The research design should be scoped out in as much detail as is practical prior to commissioning. Partnerships should consider including the following sections within their specification of requirements:

- Purpose of research (policy context and background);
- Aims and objectives (the research questions and issues to be addressed);
- Specific requirements (the types of information required to answer the research questions);
- Programme of work (stages and deadlines);
- Methods and analysis (all aspects of data collection and analysis);
- Outputs (reports and raw data); and
- Responding to this specification (requirements for analytical and project management information, criteria for evaluating tenders, interview details).

There are various factors to consider when assessing potential contractors and their proposals' 'value for money':

- The team's experience, understanding of housing market issues, needs assessment, research methods and statistical analysis;
- Their familiarity with relevant recent guidance;
- The robustness and suitability of the proposed approach and methods for meeting the aims and objectives of the research;
- Project management arrangements and a proven track record of delivering to time and budget;

⁵⁴ A good starting point is Robertson D and McLaughlin, P (1996) A Practical Guide to Housing Research, Chartered Institute of Housing

- The procedures for quality assurance - this should include progress reviews, steering and consultation schedules, identification and assessment of potential risks and any contingency arrangements;
- Their ability to write concise, objective and user-friendly reports in plain English;
- The willingness of the contractor to work with the housing market partnership to ensure that they are able to address issues of local interest and engage fully with the findings;
- How well the commissioning group feel that they can work with the consultant to have full ownership of the assessment;
- Services offered in terms of updating, or enabling staff to update the survey;
- Timescales; and
- Costs.

Before making a final decision the Partnership may wish to ask for references and copies of recent studies that the preferred contractors have carried out. Good studies should show clearly how the research was done, what the results showed, and how these results have been interpreted. If consultants propose to work with subcontractors, partnerships should also assess the quality of previous work by subcontractors and/or quality assurance procedures.

Partnerships should always ensure that consultants know that they must provide the full data set. Some consultants supply data in summary tables and other formats that permit a limited level of analysis. This may be simpler than using the full data set, but their potential value to the partnership is much more limited. The data may be anonymised, but should be easy to use with clear column headings.

Secondary data

Starting out

1. The housing need and demand assessment guidance sets out a framework that uses secondary data where feasible and appropriate. Secondary data sources are continually being improved and updated, and guidance about potential sources will become out of date as other viable alternatives are developed and commercial data becomes available more widely. Partnerships will want to ensure that they understand what data are available and the uses and limitations of data from different sources.

Improving local data

Making the most from local data systems

2. Some of the data sources listed throughout the assessment are either owned by the local authorities or other local organisations (such as registered social landlords). In addition to the housing statistical returns such as Housing Statistics Returns to the Scottish Government, SCORE and the Annual Performance and Statistical Returns (APSR), authorities have access to many other sources of information useful for this assessment. Example databases include social housing landlords' own management systems, Council Tax, Private Landlord Registration, Housing Benefits, Electoral Roll, Supporting People, school admissions, etc. The data often cover very high proportions of a population in an area (e.g. 95%+ of households pay council tax and most children go through school admission). When anonymised and aggregated, these records can provide intelligence about processes and trends in the area (e.g. council tax accounts closing signify a move, school admissions provide information about children's place of residence). Whilst authorities will prioritise concerns about how their data systems can be used to improve services and communication with the public, they will also want to consider how established or new systems can contribute to the evidence base for monitoring and making strategy, policy, and decisions on interventions.
3. New local authority systems are often looked after by IT system suppliers who can charge large amounts to query the database for data relevant to research. Local authorities will want to ensure that all their operational database systems have good query systems included or added, with good manuals and help files, and that in-house IT staff are trained to use them so they can extract their own data easily and cheaply.
4. The data extracted from databases can be distorted, particularly from older systems which have not been set up with regard to the potential to

contribute to the evidence base. If stored in electronic format in programmes such as Excel or Access, the data can be sorted and cleaned before it is mined for evidence. In some cases it will only be possible to obtain broad indications of patterns due to data quality.

Housing Registers

5. Housing registers can provide evidence of need and demand for affordable housing. As highlighted in Chapter 6, this source could be particularly useful for identification of current housing need, but there are issues with this:
 - whilst some authorities operate Common Housing Registers with registered social landlords, others operate a register relating to council housing only;
 - good practice suggests an annual review of the register in order to keep information up to date – in practice this does not always happen;
 - most housing registers allow applications from outside the local authority area but some do not always allow clear identification of such cases;
 - some of the households on the register may not actually be in housing need; whilst partnerships could apply a minimum need threshold, there needs to be a common understanding of need categories or point systems; and
 - in general, with varying eligibility policies, re-housing priorities and actual chances of re-housing, there is likely to be great variation in the propensity of households in need to actually register.
6. With the introduction of Choice Based Lettings and the continued move by some landlords to introduce Common Housing Registers then average data quality will improve. However, these changes may encourage more households, including households not in particular housing need, to join the registers. To track this possibility, partnerships could develop a common assessment and application of need across local authorities.
7. Where best practice principles have not been applied, the register may only be used to estimate aggregates for wider regions, or moving averages of housing register totals, as supplementary indicators of current housing need (see Chapter 6, Stage 1).
8. There is a further problem with housing registers when using them to understand preferences for locations within the authority. Local authorities tend to use housing management areas which bear little relationship to standard geographies. Applicants are allowed to make multiple choices as to the areas they want to live in and some may state 'any area'. Aggregating these area preferences therefore generates

double counting and methods of discounting are arbitrary only.

New data systems

9. From 1 October 2001 mandatory licensing of **Houses in Multiple Occupancy** (HMOs) came progressively into force across Scotland. Licensing is intended to raise the standard of accommodation for people living in HMOs. Council databases will provide a range of information, including, size and location of such properties, which are of specific interest in planning for housing.
10. **Private Landlord Registration** From April 2006, local authorities have been managing the introduction of private landlord registration. Information gathered in the registration process, the location of private rented properties is held in a standard format which should allow analysis of the scale, nature and geographic distribution of the private rented sector in the housing market area being analysed. It is planned – once the initial registration process is complete - to make summaries from the database available at datazone level through the Scottish Neighbourhood Statistics Database.
11. The General Register Office for Scotland - GRO(S) – has, from 2007 been collecting neighbourhood level information on **empty and second homes** and these are published on the Scottish Neighbourhood Statistics website.
12. A new data source is currently under development by the Scottish Government, which will provide house price information by house size at datazone level. This is expected to be available by summer 2008.

Summary of national data sources

13. In Table A1, information about key national data sources and any issues relevant to their application to housing need and demand assessment are brought together. There are websites that bring together access to much of these data, such as the Cambridge Centre for Housing and Planning Dataspring website (see www.dataspring.org.uk).

Table A1: Data sources for housing need and demand assessments			
Description of data source	Frequency	Geographic unit	Supplier
Multiple purpose surveys and sources			
The Scottish Household Survey (SHS) is a general purpose survey of some 15,000 households per year in Scotland, designed to be representative at local authority level over each 2 year sweep of the survey. Annual data are representative for Scotland as a whole and for larger local authorities. There are standard questions on household composition, ethnicity, economic status, income, tenure, recent moves, satisfaction with home and neighbourhood, financial difficulties.	Annual since 1993	National Local authority (2-yearly) Urban/ rural - 5 fold rural classification	Full dataset available on CD-ROM from Data Archive SHS Lite available from Scottish Government
Scottish House Condition Survey is a combined household interview and dwelling inspection survey covering around 3,000 dwellings per year in Scotland. The interview element covers a range of socio-economic information and the inspection provides useful information about the state of the housing stock as well as environmental conditions. Annual data are only robust at broader regional level.	Annual (most years since 1993)	National Local authority (3 years combined)	Scottish Government Publication
The Census is a compulsory, comprehensive count of individuals, households, and dwellings. Questions cover type, rooms, tenure, amenities of housing, sex, age, marital status, ethnicity, religion, long term illness, household composition, usual address, moves in last year, economic status, hours worked, occupation, industry, place of work, mode of travel. However this information can become dated at local levels.	Every 10 years	Output Areas; Specialised outputs may be restricted to higher level areas	GRO(S)

Table A1: Data sources for housing need and demand assessments (continued)

Description of data source	Frequency	Geographic unit	Supplier
<p>Scottish Neighbourhood Statistics (SNS) A number of very useful datasets drawn from a variety of sources are now available. These include total housing stock by council tax band and by size and type of property, right to buy sales, dwelling sales and prices, demand indicators, vacant dwellings and second homes. Future datasets will include, private rented stock (from PRS registration). All can be downloaded free of charge from the SNS website. (See full listing below.)</p>	Annual	Varies from census output area to LA	Scottish Government
<p>Regional Trends is a comprehensive annual source of official statistics for the Statistical Regions of the United Kingdom. It includes a wide range of demographic, social, industrial and economic statistics, covering aspects of life in the regions.</p>	Annual	Government Office Region; LA District	ONS
Demographics			
<p>Official Government household projections. These are based on official population projections. They give household numbers at five year intervals over 25 year horizon by broad household type. Associated age/sex/ headship rates are also available on the GRO(S) website.</p>	Every 2 years	Official projections are available at national and local authority levels	GRO(S) publications
<p>Population Estimates and projections. Population estimates are annual mid-year estimates of population by age and sex which also include information on the components of change (births, deaths and migration & other changes). National and sub-national population projections are produced by the General Register Office Scotland.</p>	Every 2 years	National, local authority and national parks	GRO(S) publications
<p>Household mid-year estimates cover total number of households. Estimates such as average household size and selected household types are available on request.</p>	Annual from 1991	National and local authority	GRO(S)
<p>National Health Service Central Register.</p>	Annual	LA	GRO(S)

Table A1: Data sources for housing need and demand assessments (continued)

Description of data source	Frequency	Geographic unit	Supplier
This is the main continuous data source on internal migration. It provides reasonably robust data on moves by age and sex of internal migrants.	(since 1975)		
Commercial neighbourhood classifications provide useful information about the location of households with different profiles. Examples include the CACI ACORN classification and Experian's MOSAIC . Much of this information is available (some for free) through the web. The Anglia Ruskin University's Chelmer model can also be used for demographic projections at local level.	Annual	Postcode level	Examples include: CACI, Experian, Anglia Ruskin University
Incomes/expenditure			
HM Revenue and Customs provides information on gross personal incomes, mean and median, but does not provide information at the household level.	Annual	Regional and LA	Inland Revenue
The Annual Survey of Hours and Earnings (which replaces the New Earnings Survey) gives the earnings of full time adult employees at April each year based on a large sample. It can be analysed locally by sex, manual/non-manual employment types, and other categories. It is now available on the basis of place of residence as well as place of employment.	Annual	LA	ONS
Benefits claimants counts give numbers of claimants and amounts of expenditure on all benefits, including Housing and Council Tax Benefit, Income Support, Job Seekers Allowance and Incapacity Benefit.	Annual	LA: Datazone level for some benefits.	Department of Work and Pensions SNS
Household income models are produced by various agencies (often for market research purposes) and provide estimates of household income at local level.	Various	LA or postcode	Caci, Experian, PayCheck

Table A1: Data sources for housing need and demand assessments (continued)

Description of data source	Frequency	Geographic unit	Supplier
Rent Registration Service data on rents referred for Housing Benefit. Data on average 'referred' and 'determined' rents by size of letting and furnished/unfurnished.	Annual since 1993	LA	JRF Housing Finance Review Scottish Government Housing Statistics Publications
SCORE gives the profile of new social housing tenant households including income and ethnic group, rents by dwelling size and type for all assured tenancy lettings and relet times.	Annual	LA, other geographies can be requested from the Centre for Housing Research	SCORE Website maintained by the Centre for Housing Research at the University of St Andrews
The Annual Performance and Statistics Return (APSR) is collected from all housing associations. It contains housing data on registered social landlords within each local authority area.	Annual	LA	Communities Scotland
Private Rented Sector rents give rent determination in Housing Benefit cases and local reference rents for furnished and unfurnished properties. They are available by property type and dwelling size, including and excluding oversized properties.	Annual until 2000/01	LA	Rent Registration Service
Housing			
Registers of Scotland (ROS) provides house price data by post code.	Annually since 1995	Unit postcode and datazone	ROS data further processed by the Land Value Information Unit; and provided to councils by the Scottish Government
Survey of Mortgage Lenders is an annual	Annual,	Scotland only	Scottish

Table A1: Data sources for housing need and demand assessments (continued)

Description of data source	Frequency	Geographic unit	Supplier
5% sample survey of new mortgage loans conducted jointly by Communities and Local Government and the Council of Mortgage Lenders, providing details on both properties sold and on the purchaser, as well as prices and mortgages involved.	quarterly		Government Housing Statistics publications.
Specific Mortgage Lenders: The Halifax and the Nationwide have provided house price statistics over a long period at national, regional and local level. They publish regular bulletins and utilise data on the attributes of houses being purchased to mix-standardise their data series.	Annual, quarterly	LA	Halifax House Price Index. Nationwide Quarterly Housing Review.
Council tax by band data provides data on the number of properties by Council Tax band.	Annual from 1996/97	LA from 2006-07 Datazone from	Scottish Government Housing Statistics publications. GRO(S) Scottish Neighbourhood Statistics
Completion data for Housing is available by tenure. Net dwelling completions which take account of conversions and change of use as well as new build is available on request from the Scottish Government.	Annual from 1997/98	LA	Scottish Government Housing Statistics Publications
Employment			
Labour Force Survey is a large scale quarterly survey of working population, which provides a range of general measures of economic activity including status, unemployment (different bases), self employment, hours, occupation and industry by place of residence. Care is needed over sampling variation in estimates for individual districts and single years.	Since 1992 (quarterly) Since 1984 (annual)	LA (subject to sampling limitations)	ONS

Table A1: Data sources for housing need and demand assessments (continued)

Description of data source	Frequency	Geographic unit	Supplier
<p>Travel to Work Areas describe the flows of commuting and areas with high degrees of containment of commuting flows.</p>	<p>10 yearly (based on census data)</p>	<p>Travel to work areas (variable in size)</p>	<p>GRO(S)</p>
<p>Annual Business Inquiry (ABI) gives estimates of employment by sex and industry and by full/part time. It provides a key measure of job changes. Access is restricted by Statistics of Trade Act and special consent is required from ONS unless access is required for purposes under Planning Legislation. The Annual Business Inquiry has run since 1998 and replaced the Annual Employment Survey (AES). The AES ran from 1995 and replaced the Census of Employment (CoE) which ran until 1993.</p>	<p>Annual from 1998 AES annual from 1997 CoE 2 or 3 yearly 1981-97</p>	<p>LA</p>	<p>ONS (via NOMIS) Regional Trends</p>

Scottish Neighbourhood Statistics URL:

<http://www.sns.gov.uk/>

A full list of housing related information on the SNS website can be found by navigating to the site, selecting the data guide and then selecting the housing topic.

Housing Dataset Titles	Dataset Descriptions
Sales to sitting tenants	Sales to sitting tenants by datazone annually since 1980.
Dwelling Stock by Council Tax Band	Total stock by Council Tax Band annually from 2003 by datazone.
Dwelling Stock by size and type.	Stock by house type and size at datazone level from 2006, taken from the Scottish Assessors Portal.
Household Spaces	Information on occupied and vacant household spaces and holiday lets from 2001 Census.
Tenure	Household spaces by tenure at datazone level from 2001 Census.
House Sales and Prices	Numbers of house sales, lower quartile and median prices from 1993 at Datazone level.

Annex C

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Definitions

Affordability is a measure of whether housing may be afforded by certain groups of households.

Affordable housing is housing made available at a cost below full market value, to meet an identified need. It includes social rented housing, subsidised low cost housing for sale (discounted, shared ownership or shared equity) and low cost housing without subsidy (entry level housing for sale). Private rented accommodation available at lower cost than market rents, (mid-market rent), should also be considered within the affordable housing category. The term intermediate housing product has been used in this guidance to cover all types of affordable housing which are not social rented.

Bedroom standard refers to the number of bedrooms that are needed so that no one has to share a bedroom unless they are a) a couple, b) both aged under 10, or c) aged under 21 and of the same sex. No more than two people should share any bedroom.

A concealed household refers to a household of unrelated adults sharing a kitchen, bathroom or WC with another household but not sharing meals.

A forecast of housing needs or requirements is a prediction of numbers which would arise in future years based on a model of the determinants of those numbers and assumptions about (a) the behaviour of households and the market and (b) how the key determinants are likely to change. It involves understanding relationships and predicting behaviour in response to preferences and economic conditions.

Headship rates measure the proportion of individuals in the population, in a particular age group, who head a household. Projected headship rates are applied to projected populations to produce projected numbers of households.

A household is one person living alone, or two or more people living together at the same address as their only or main residence who share at least one meal a day together or who share a living room (e.g. 5 adults sharing a house like this constitute one 5-person household).

Household formation refers to the process whereby individuals in the population form separate households. 'Gross' or 'new' household formation refers to households that form over a period of time, conventionally one year. This is equal to the number of households existing at the end of the year that did not exist as separate households at the beginning of the year (not counting 'successor' households, when the former head of household dies or departs). 'Net' household formation is the net growth in households resulting from new households forming less the number of existing households dissolving (e.g. through death or joining up with other households).

Housing demand is the quantity and type/quality of housing which households wish to buy or rent and are able to afford.

Housing land requirements is the amount of land required to be allocated for housing to meet the identified housing requirement.

Housing market area is a geographical area which is relatively self-contained in terms of housing demand; i.e. a large percentage of people moving house or settling in the area will have sought a dwelling only in that area.

Housing need refers to households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some assistance.

Housing requirements the total amount and type of housing necessary to accommodate a given (or projected) population at appropriate minimum standards. This includes both housing needs and housing likely to be demanded in the market.

Housing size can be measured in terms of the number of bedrooms, habitable rooms or floorspace. This guidance uses the number of bedrooms.

Housing type refers to the type of dwelling, for example, flat, house, specialist accommodation.

Intermediate affordable housing is housing available at a cost below full market value to meet an identified need and includes: subsidised low cost housing for sale (discounted, shared ownership or shared equity); low cost housing without subsidy (entry-level housing for sale); and mid market renting.

Lending multiplier is the number of times a household's gross annual income a mortgage lender will normally be willing to lend. The most common multipliers quoted are 3.5 times income for a one-income household and 2.9 times total income for dual income households.

Lower quartile means the value below which one quarter of the cases falls. In relation to house prices, it means the price of the house that is one-quarter of the way up the ranking from the cheapest to the most expensive.

Market housing is private housing for rent or for sale, where the price is set in the open market.

Migration is the movement of people between geographical areas. In this context it could be either local authority districts, or wider housing market areas. The rate of migration is usually measured as an annual number of individuals, living in the defined area at a point in time, who were not resident there one year earlier. Gross migration refers to the number of individuals moving into or out of the district. Net migration is the difference between gross in-migration and gross out-migration.

Non-self-contained accommodation is where households share a kitchen, bathroom or toilet with another household, or they share a hall or staircase that is needed to get from one part of their accommodation to another.

Primary data is information that is collected from a bespoke data collection exercise (e.g. surveys, focus groups or interviews) and analysed to produce a new set of findings.

A projection of housing needs or requirements is a calculation of numbers expected in some future year or years based on the extrapolation of existing conditions and assumptions. For example, household projections calculate the number and composition of households expected at some future date(s) given the projected number of residents, broken down by age, and an extrapolation of recent trends in the propensity of different groups to form separate households.

Private sector housing is housing for or rent provided by private developers or other commercial organisations. The term 'owner occupied sector' excludes the private rented element.

Relets in this context are social rented housing units which are vacated during a period and become potentially available for letting to new tenants, or tenants transferring. Net relets are total relets, or turnover, minus transfers and successions (where the tenancy is transferred to an existing occupant such as the child or spouse of the previous tenant).

Secondary data is existing information that someone else has collected. Data from administrative systems and some research projects are made available for others to summarise and analyse for their own purposes (e.g. Census, national surveys).

Shared equity schemes enable people to buy a home in partnership with a registered social landlord. An owner generally pays between 60 and 80 per cent of the price of a home – with the remainder held by a registered social landlord using a Government grant.

Shared ownership schemes provide housing that is available part to buy (usually at market value) and part to rent.

Social rented housing is general and special needs housing provision by registered social landlords, local authorities and other social housing providers for rent.